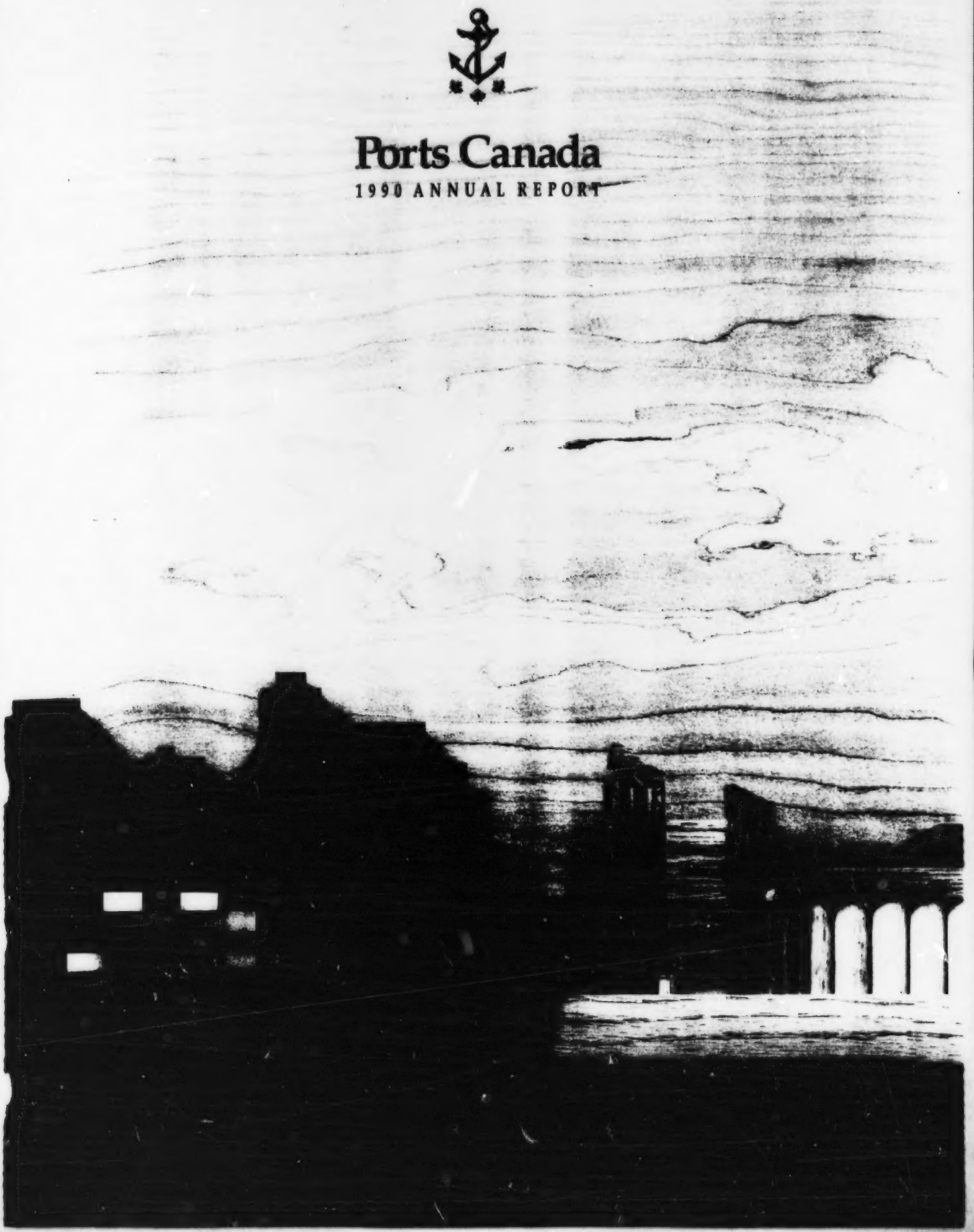
Ports Canada

1990 ANNUAL REPORT



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Ports Canada Profile

"Ports Canada" describes a federal system of ports administered pursuant to the *Canada Ports Corporation Act* which was proclaimed in 1983. Seven of these ports are autonomous local port corporations located in Halifax, Montréal, Prince Rupert, Québec, Saint John, St. John's and Vancouver. The other ports are administered on a divisional basis by the Canada Ports Corporation and are located in Belledune, Chicoutimi/Baie des Ha! Ha!, Churchill, Port Colborne, Prescott, Sept-Îles and Trois-Rivières.

Ports Canada handles nearly half of the overall Canadian port traffic. It is, therefore, an effective means for the implementation of the national ports policy. The policy provides for, at the best cost possible, and in a manner equitable to all users, the services necessary for Canada's international shipping trade at national, regional and local levels.

The system operates on a decentralized basis; each of the local port corporations functions with a high degree of autonomy in the administration of their respective port. In providing a public service, the ports are administered according to common commercial principles.

National Office of the Canada Ports Corporation is located in Ottawa.

Pour recevoir ce rapport en français, prière de s'adresser à Ports Canada, Services de la Société, 99, rue Metcalfe, Ottawa (Ontario) K1A 0N6.

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Ports Canada Perspective

Total port traffic refers to cargo handled through terminals administered by Ports Canada, as well as traffic through private facilities within the jurisdiction of the port. In 1990, Ports Canada ports handled 180.6 million tonnes, a 3.7 percent increase over the volume reported a year earlier. Of this total, 151.2 million tonnes, or 84 percent, were handled collectively by the seven local port corporations and 29.4 million tonnes, or 16 percent, by the Canada Ports Corporation. The major reason for this increase has been the return of grain exports to levels Canada has been more accustomed to in recent years. While coal was down slightly from last year, the movement of petroleum products reached 46.3 million tonnes, up by 7 percent over 1989.

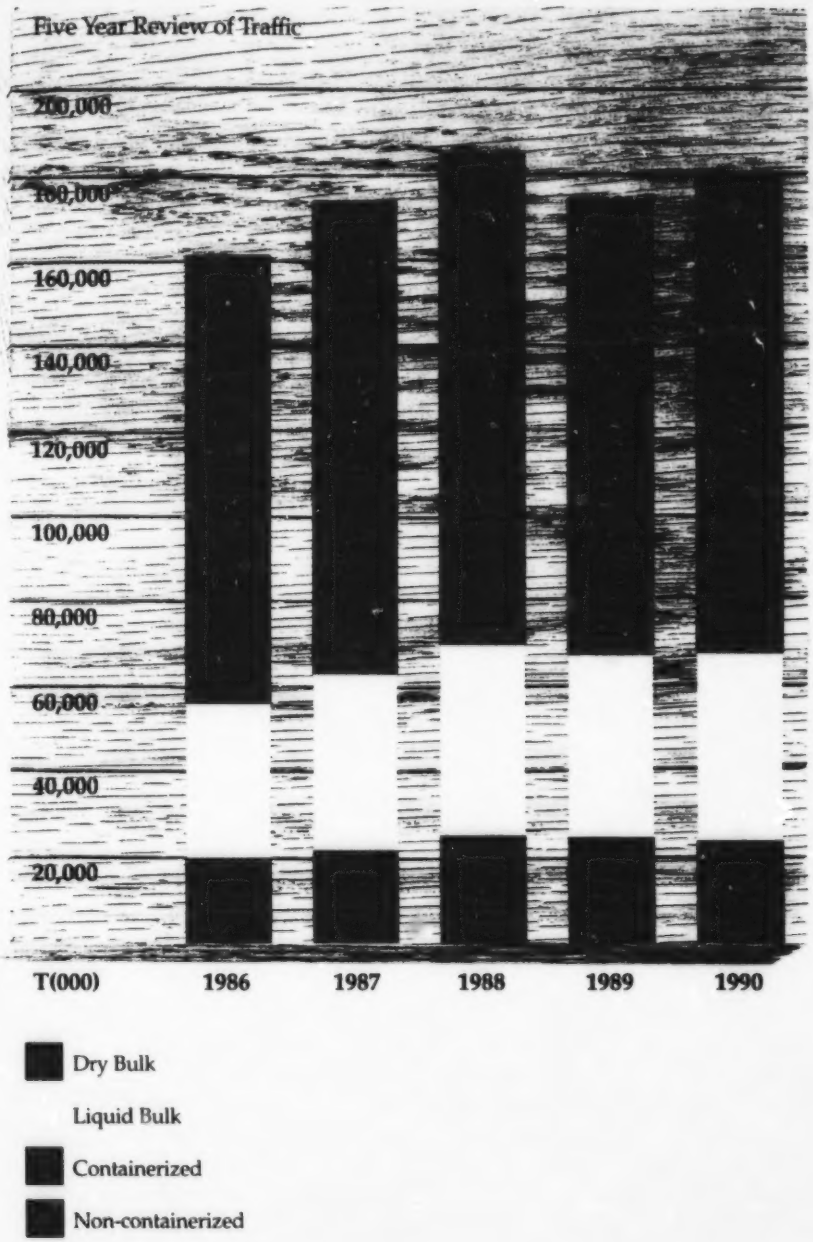
Total tonnage handled through Ports Canada berths in 1990 was 79.2 million tonnes, up 4 percent from the 76.1 million tonnes recorded in 1989. The seven local port corporations handled 75.1 million tonnes, an increase of 3 percent from the 72.6 million tonnes handled the previous year. Total tonnage through Canada Ports Corporation facilities in 1990 was 4 million tonnes, a jump of 14 percent from the 3.5 million tonnes in 1989.

Total grain shipments handled across the Ports Canada system rebounded in 1990 to 25 million tonnes, an increase of 32 percent over the 19 million tonnes reported a year earlier. All the major grain ports including Québec, Montréal, Vancouver and Prince Rupert experienced healthy gains.

Coal shipments were down slightly, by 2.3 percent, to 30.5 million tonnes from 31.2 million tonnes reported in 1989.

A record 12.9 million tonnes of containerized cargo, or 1.4 million TEUs (twenty-foot equivalent units) were handled through Ports Canada facilities, an increase over the 12.4 million tonnes handled in 1989. The ports of Montréal and Halifax both set records in 1990 handling 5.8 and 3.9 million tonnes, respectively, while the Port of Vancouver increased its traffic to 2.7 million tonnes, almost breaking the record set in 1988. And for the fourth year in a row, the Port of St. John's established another record by handling 400,000 tonnes of domestic containerized cargo.

Non-containerized general cargo continued to decline, dropping by 5.7 percent to 11.2 million tonnes in 1990.



Ports Canada Financial Review

Revenues from operations for Ports Canada reached $180 million in 1990, its highest level in history. Traffic volumes were up at most of the Ports Canada ports, most noticeably at Vancouver, Québec and Montréal. The volume of grain handled across the Ports Canada system rebounded from the slump brought on by the 1988-1989 drought. Total grain tonnage amounted to 25 million tonnes in 1990 compared to 19 million tonnes in 1989. A significant gain was also recorded in the volume of liquid bulk handled by the system. Liquid bulk climbed to 46 million tonnes in 1990, up 3 million tonnes from 1989.

Operating expenses of $155 million reflect an increase of 4.9 percent. Operating income of $25 million was recorded for 1990 while funds from operations, being operating income before depreciation, were $55 million. Other income, which was primarily investment income, amounted to $25 million in 1990. Funds generated by operations and investments provide a needed source of financing for future capital projects required to enable the ports to remain competitive and effective.

The net income for Ports Canada was $50 million in 1990, up slightly from 1989. In 1990 Ports Canada declared and paid dividends of $12 million based on the 1989 financial results. The Federal Government has also requested that Canada Ports Corporation and the local port corporations make a contribution of $100 million towards the federal deficit reduction.

In 1989, the Federal Government provided a grant of approximately $27 million to establish the Interport Loan Fund (the Fund). This grant was equivalent to the 1988 and 1989 dividend payments of some Ports Canada corporations, plus accrued interest. The Fund, which is administered by Canada Ports Corporation, provides an alternative source of financing for financially viable capital projects of the Ports Canada system. In 1990 borrowings from the Fund were arranged to finance the construction of a coal terminal at the Port of Belledune.

During the year, Ports Canada invested $81 million in capital improvements. Of this amount, $57 million was provided by internally generated funds. Further expansion and upgrading of port facilities at Montréal, Québec, Vancouver and Sept-Îles comprised the major capital works in 1990. Grants received from the Federal Government of $11 million were primarily for the construction of handling and storage facilities as part of the Alouette project at the Port of Sept-Îles.

Ports Canada Five Year Financial Review

(in millions except for average number of employees and ratios)

	1990	1989	1988	1987	1986
Financial results					
Revenue from operations	$ 179.9	$ 169.9	$ 169.5	$ 169.9	$ 159.9
Operating expenses	155.0	147.5	140.9	140.0	138.1
Operating income	24.9	22.3	28.6	29.9	21.8
Other income - net	25.0	24.9	20.9	16.0	18.9
Net income before RTI*	50.1	48.7	62.9	46.1	42.1
Cash provided by operating activities	102.7	59.1	96.2	69.3	58.1
Financial position at year end					
Working capital	$ 104.6	$ 179.7	$ 183.0	$ 148.6	$ 114.2
Fixed assets - at cost	1,186.3	1,124.2	1,056.9	1,015.4	990.1
Total assets	1,022.4	1,004.5	960.4	895.5	863.5
Equity of Canada	756.3	817.9	785.5	737.4	227.8
Capital expenditures	$ 81.3	$ 77.6	$ 49.7	$ 33.8	$ 50.2
Federal capital financing					
Grants	$ 11.1	$ 4.8	$ 2.8	$ 2.1	$ 13.5
Loans	12.8	4.5	1.0	1.0	4.1
Employees					
Average number of employees	1,194	1,208	1,291	1,344	1,452
Ratios					
Operating revenue/tonne	$ 1.00	$ 0.98	$ 0.91	$ 0.98	$ 0.99
Tonnes/employee	151,284	144,170	144,711	129,455	110,840
Cash from operating activities/total assets	10.0%	6.0%	10.0%	7.7%	6.7%

* Ridley Terminals Inc.

Canada Ports Corporation

Message from the Chairman of the Board

The year 1990 was a good year for the Ports Canada system.

The flow of wheat has recovered from the 1989 slump. Container traffic has held relatively steady, although we continue to have concern for the potential slippage of Canadian inbound and outbound traffic through US routings and ports.

With the exception of Ridley Terminals Inc. at Prince Rupert, the bulk terminals at our ports continue to enjoy good volumes of exports.

The capital programs in the divisional ports of Sept-Îles and Belledune are progressing on time and within budget, to the credit of our management and engineering staff.

Late in the year we were advised by Lauralco that they had selected the divisional Port of Trois-Rivières for the receiving of alumina and coke for their smelter at Deschambault, Quebec. Again, the CPC Board has had reason to be pleased with the performance of management and engineering staff as the negotiations for this new infrastructure draw to a conclusion.

During 1990, the CPC Board Committee on Container Competitiveness under the chairmanship of director Arnold Masters, completed an extensive series of hearings and consultations with industry, in an attempt to understand the competitiveness of Canadian ports and routings in the North American transportation economy. In concert with local port corporations, the Committee has worked on a report examining the ship, port and inland operations of container transportation in order to identify factors of competitiveness and propose corrections or solutions where needed. This work has been largely completed and will result in a report to the Minister of Transport early in 1991, proposing that the transportation entities involved in container movement within Canada be harmonized into an inland system that will offer pier-to-door, door-to-pier, and pier-to-pier through-bill-of-lading service.

It is our plan that this report will tie into the work of the Board's Electronic Data Interchange Committee (EDI) under the chairmanship of director John Balkwill, and that it will propose the implementation of a state-of-the-art EDI network to serve transportation in Canada.

During the preceding year, the Ports Canada system had reached a consensus on a revised delegation of authority. We are pleased and grateful that this initiative has been seized by the Minister of Transport and that efforts continue at the departmental and ministerial level toward new delegated operating authorities for the system, a revision of by-laws and also amendments to the *Canada Ports Corporation Act* which we pray will be in place within the year 1991.

The CPC Board is pleased with the vigorous and healthy progress achieved during the past year by staff and dedicated members of the Board's working committees.

We are grateful for the interest and attention that the Minister of Transport, the Honourable Doug Lewis, and his staff have given to the issues and affairs of the Ports Canada system.

A.R. Huntington

The Honourable A.R. Huntington

Message from the President and Chief Executive Officer

For the Canada Ports Corporation, 1990 was a milestone filled with many accomplishments, some of them on a grand scale. The Corporation has made a commitment to invest over one hundred million dollars in major port development projects across Canada.

Following an historical agreement between the Corporation and Aluminerie Alouette Inc., construction began on a multi-million dollar aluminum plant in Sept-Îles, Quebec. The project will bear many economic spin-off benefits for the local community and for Canada as a whole. The significant input and participation by the Corporation has been a most challenging but rewarding joint venture experience.

The aluminum industry brought welcome news to another port as well. Lauralco of Atlanta, Georgia, announced the selection of the Port of Trois-Rivières for the transshipment of alumina for its new Deschambault, Quebec, plant. This development will enable the port to utilize one-third of a grain elevator facility which has suffered from reduced grain traffic.

Another mega-project marked the Corporation's landscape in New Brunswick as well. Following an agreement with the New Brunswick Power Commission, a major extension of the Port of Belledune was initiated to supply the new coal-fired method of thermal power generation. A new wharf and material-handling capacity will increase the port's throughput by 1.25 million tonnes per annum.

The Port of Chicoutimi, located in the Saguenay region of Quebec, will be next. Reflecting its broader geographic base, the port has completed a comprehensive development plan for the future. Awaiting the clarification of financing sources, the plan calls for a major expansion at the port to accommodate emerging demand and relieve current congestion.

A change in the operator of the Port of Prescott elevator to Goderich Elevators will ensure continued grain handling at the port, while a long-term strategy is being put in place to identify new business opportunities. The Corporation is hoping that the business relationship fostered at Port Colborne with Goderich Elevators will be mutually beneficial at the Port of Prescott as well.

The Corporation's efforts to seek enhanced delegation of authority received a healthy boost by the Minister of Transport, the Honourable Doug Lewis, who lent his unequivocal support to this initiative. The Corporation is now working rigorously to comply with the Minister's intention to place this matter on the government's legislative agenda as soon as possible.

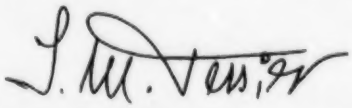
A major review of Ports Canada's competitiveness in the intermodal field, launched during the year, sparked industry-wide enthusiasm. The findings of our Container Competitiveness Committee, soon to be tabled, will toll alarm bells in the corridors of industry participants from coast to coast, and will call for decisive measures by those intent on preserving this country's national transportation system.

On the operation side, we furthered our progress in the integration of computer facilities into our daily work with the introduction of electronic mail throughout the port system. The efforts of Ports Canada's Information Technology Committee, and Systems Steering Committee will go a long way in making electronic data interchange (EDI) a reality within the system. We can take pride in our knowledge and progress in this field.

In response to the environmental concerns shared by all Canadians, Canada Ports Corporation has taken a leading role in ensuring that Ports Canada ports adhere to sound environmental practices. Guidelines developed and approved will require that port development projects are assessed consistent with rigorous environmental criteria which meet the demands of government and official monitoring agencies.

In accordance with our statutory obligation, it is once again a pleasure for us to inform the Corporation's Board of Directors, and the shareholder, the Government of Canada, that the Corporation made measurable progress during 1990 in achieving its objectives; and that the necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

I would like to extend my gratitude to a supportive Chairman and Board of Directors, and to a motivated staff, for their contributions and endless efforts and dedication in making our successes possible. I would also like to acknowledge the support and cooperation of local port corporations and divisional ports, as well as the positive relationship we share with our other private and public sector partners. While many exciting new challenges lie ahead, we all have good reason to feel proud of our accomplishments to date.



Jean Michel Tessier

Canada Ports Corporation

Canada Ports Corporation is comprised of seven non-corporate ports, referred to as divisional ports. They are located in Belledune, New Brunswick; Chicoutimi/Baie des Ha! Ha!, Sept-Îles, Trois-Rivières, Quebec; Port Colborne, Prescott, Ontario; and Churchill, Manitoba. Divisional ports play a key role in their respective local and regional economies. Local industries are dependent on facilities provided by these ports and are often the primary link to both national and international markets.

Dry bulk handled at the divisional ports includes grain, salt, various mineral ores and coal. Liquid bulk is made up primarily of petroleum products while forest products are examples of general cargo handled at some of these ports.

Divisional ports are an integral part of the total Ports Canada system. While their sphere of influence is often more regional than national, the overall economic and social health of the community is clearly linked to the port.

Traffic Review

In 1990, divisional ports handled a total of 29.5 million tonnes of cargo, a slight decrease from the 30.2 million tonnes recorded in 1989. This total represents 16 percent of the total traffic handled by Ports Canada ports. Of this amount, 4 million tonnes, or 14 percent, were handled at berthing facilities owned by the Canada Ports Corporation.

Grain shipments were up 29 percent from 1.4 million tonnes to 1.8 million tonnes. The Port of Churchill handled an additional 100,000 tonnes of grain, a gain of 33 percent over 1989, while the Port of Trois-Rivières increased its throughput from 825,000 tonnes to 1.1 million tonnes.

Coal handled primarily by the Port of Sept-Îles was down 41 percent from one million tonnes to 586,000 tonnes. Liquid bulk remained unchanged at 1.4 million tonnes, with the Port of Sept-Îles experiencing an 8 percent increase from 395,000 to 427,000 tonnes, while the Port of Trois Rivière's share decreased from 454,000 to 365,000 tonnes.

Financial Overview

Overall port financial performance reflects the volume and mix of cargo handled. Total traffic decreased slightly this year, and the decline has had a negative impact on operating results.

Revenue from Operations: Operating revenue for 1990 was $10.6 million, up 10 percent from the 1989 level of $9.6 million. This increase reflects the continued recovery of grain shipments from the extremely-low level reached in 1988.

Operating Expense: Operating expense increased by $1.5 million, or 12 percent, to $13.6 million in 1990 from $12.2 million in 1989. This includes provision for depreciation of $3 million compared with $2.7 million in 1989.

Loss from Operations: Loss from operations amounted to $3.0 million in 1990, compared to $2.6 million in 1989.

Investment Income: Investment income, net of interest expense, was $5.4 million, up marginally by $147,000, or 3 percent, from 1989.

Net Income: Unlike 1989, when the share in the loss of Ridley Terminals Inc. caused a $3.1 million negative adjustment, and a revision to grants-in-lieu of taxes caused a $1.2 million positive adjustment, net income in 1990 was unaffected by extraordinary items. Net income for 1990 was $2.4 million, compared to $764,000 the year before.

Dividend: The Corporation paid a dividend to the Government of Canada of $227,000 in 1990, compared to $74,000 in 1989.

Contributed Capital: Contributed capital decreased $20.44 million from 1989 to 1990 due to the return of this amount at the request of Canada, as part of the federal deficit reduction effort. Half of this amount, $10.22 million, was paid in 1990 and the other half is due in 1991.

Interport Loan Fund: The Fund was established in 1989 with an initial contribution of $26.7 million by the Government of Canada. Its purpose is to provide financing for financially viable capital projects of the Ports Canada ports. The balance of the Fund grew from $28.6 million at the end of 1989 to $32.1 million at the end of 1990 through accumulated interest on fund transfers to the Port of Belledune and on investments in securities of Canada.

Capital Investments: The Corporation spent $17.5 million on additions to fixed assets in 1990, compared to $4.7 million in 1989. During 1990, the Corporation received $9.7 million in capital grants from the Government of Canada mainly for the Alouette project in Sept-Îles.

Principal Operations: The principal operations of the Canada Ports Corporation are defined by the activities of divisional ports and National Office.

Port of Belledune

Port of Belledune

The Port of Belledune, located on the south shore of the *Baie des Chaleurs* in northeastern New Brunswick, is a bulk-handling facility used primarily by Brunswick Mining and Smelting. The company imports phosphate rock to be processed into fertilizer. The port's single berth facility, 167 meters in length and connected to the shore by a 7.5 meter roadway, can handle 35,000 DWT vessels.

In 1990, construction began on a new berth to handle coal required for the thermal-power plant being built by New Brunswick Electric Power Commission. When the power plant begins operation in 1993, the port will handle 1.2 to 1.5 million tonnes of coal annually.

Lower handlings of dry bulk commodities, in particular phosphate rock due to labour strife at Brunswick Mining and Smelting, reduced the total volume of traffic by 13 percent to 316,000 tonnes from 363,000 tonnes the previous year. General cargo was also down from 21,000 tonnes to 9,000 tonnes, while petroleum products increased by 23 percent from 66,000 tonnes in 1989 to 81,000 tonnes in 1990.

Operating revenue declined by close to 10 percent to $198,000 from $219,000 in 1989, while operating expenses increased from $153,000 to $170,000. As a result, operating income declined 57 percent from $65,000 in 1989 to $28,000 in 1990. The financing cost of $106,000 for the construction of the new berth contributed to a net loss of $4,000 compared to a net income of $100,000 in 1989.

Ports of Chicoutimi/ Baie des Ha! Ha!

Ports of Chicoutimi/ Baie des Ha! Ha!

Located at the head of the Saguenay River, the Port of Chicoutimi plays a key role in the local economy, its services being vital to the region's resource-based industries. The primary industrial sectors of the region are pulp and paper, and aluminium production. Port facilities are comprised of the Grande-Anse maritime terminal, located in the town of La Baie, and the Albert-Maltais dock located in Chicoutimi. Grande-Anse is used mainly for the handling of general cargo. The Albert-Maltais dock handles petroleum products for the area.

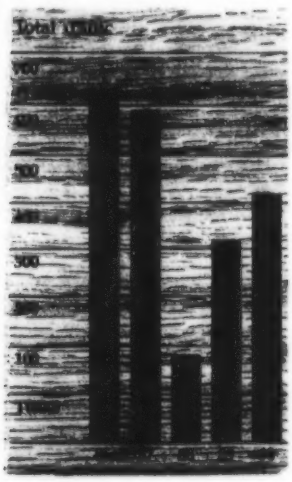
Total traffic at the Port of Chicoutimi increased by 10 percent from 485,000 tonnes in 1989 to 535,000 tonnes in 1990. Lumber and industrial salt are the main products accounting for this growth. However, the port also benefited from a shipment of 12,000 tonnes of caustic soda, a chemical product used for bleaching wood pulp. This is the result of a $2 million investment by Servitank Inc. in a new liquid-bulk depot, operating since September 1990, at Grande-Anse. The port expects to handle approximately 50,000 tonnes of caustic soda each year. A waterfront master plan and several technical studies relating to the future development of the port were completed during the year.

Baie des Ha! Ha! is the location of private wharf facilities owned and operated by Alcan, and used mainly to receive raw materials for the company's own use. Total traffic at Baie des Ha! Ha! increased slightly from 3.9 to 4 million tonnes. An increase in dry and liquid bulk cargo offset the effects of a decrease in general cargo.

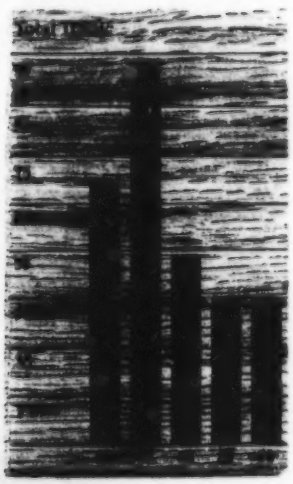
Operating revenue increased at the Port of Chicoutimi from $1.3 million in 1989 to $1.6 million in 1990. Operating expenses declined from $1.5 million to $1.3 million during the same period, resulting in a reversal of operating results from a loss of $260,000 in 1989 to an operating income of $217,000 in 1990. Net income reached $879,000 in 1990, a gain of 130 percent over the previous year from $383,000.

At Baie des Ha! Ha!, total operating revenues increased slightly from $149,000 in 1989 to $154,000 in 1990. However, operating expenses increased by close to 50 percent from $56,000 to $84,000, resulting in a decline in operating income of 25 percent from $93,000 in 1989 to $70,000 in 1990. Net income was $119,000 in 1990, a five percent decrease from $125,000 in 1989.

Port of Churchill



Port Colborne



Port of Churchill

The Port of Churchill, located on the western shore of Hudson Bay, continued its primary role in 1990 in the export of western Canadian grain. The resupply of northern communities in the Keewatin region of the North West Territories is an equally-traditional function of the port. Total port traffic increased by 33 percent to 425,000 tonnes in 1990 from 320,000 tonnes in 1989. Twelve ships moved 393,000 tonnes of wheat and barley, which accounts for over 90 percent of total port traffic. The northern resupply operations had an increase in tonnage from 1989 to 32,000 tonnes. This traffic consisted mainly of petroleum products, building materials, vehicles, equipment and other essential supplies.

During the year, the Port of Churchill welcomed the largest grain ship ever to call at the port, the M.V. "Seabulk" (54,681 DWT). Another important event was the arrival of the cruise ship M.V. "Society Explorer" with 150 passengers transiting the port. In terms of facility improvement, the port also continued with Phase I of the dust control program aimed at meeting health and safety standards for its grain elevator.

Operating revenue rose 18 percent from $4.0 million in 1989 to $4.7 million in 1990. However, a substantial increase in operating expenses of 22 percent from $5.4 million to $6.6 million resulted in an operating loss of $1.9 million in 1990 compared with $1.5 million in 1989. Investment income offset this to some extent, resulting in a net loss of $1.4 million for the year, compared to a net income of $80,000 in 1989, as a result of a favourable adjustment of $1.2 million grants-in-lieu of municipal taxes.

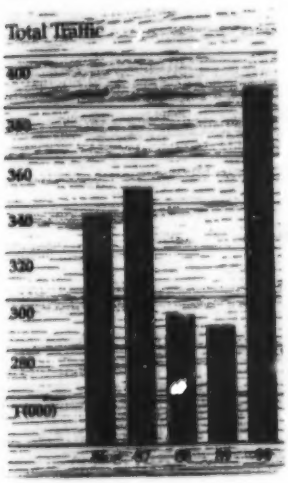
Port Colborne

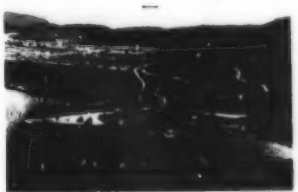
Port Colborne is located at the southern end of the Welland Canal specializing in the handling of domestic grain. In 1986, the Canada Ports Corporation leased the Port Colborne elevator to Goderich Elevators Limited of Ontario, under the terms of a twenty-year agreement.

In 1990, total port traffic, consisting entirely of grain, reached a level of 43,000 tonnes, a decrease of 2,000 tonnes from 1989. This figure represents approximately one-tenth the volume handled a decade ago.

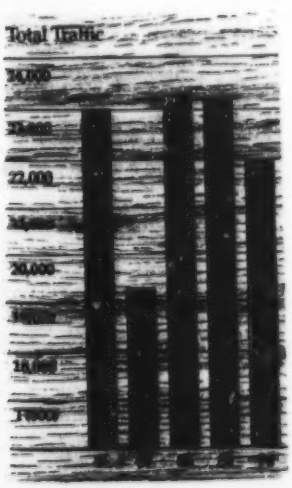
Total operating revenue for the year increased slightly from $112,000 in 1989 to $116,000 while operating expenses declined from $502,000 to $481,000. Consequently, the operating loss fell six percent from $390,000 in 1989 to $365,000. Investment income contributed further to a favourable net income of $170,000 compared to $133,000 in 1989.

Port of Prescott





Port of Sept-Îles



Port of Prescott

The Port of Prescott is located 200 kilometers west of Montréal and 100 kilometers south of Ottawa on the St. Lawrence River. The primary function of the port is the handling of grain for domestic use through its 154,000-tonne-capacity elevator. In 1988, Elders Grain Company Limited, a division of Elders IXL, leased the elevator for a five-year period. In 1990, Elders IXL made a decision to divest itself of all its world-wide grain operations and put its lease with the Canada Ports Corporation up for sale. Goderich Elevators Limited of Ontario was assigned the lease, to operate the elevator for the remaining 2 1/2 years of the initial five-year term.

Total traffic at the port increased by 34 percent to 387,000 tonnes in 1990 from 289,000 tonnes in 1989. Water-borne grain traffic at the port, which represents 65 percent of the total traffic, increased 18 percent to 252,000 tonnes. The volume of industrial salt handled, at 134,000 tonnes for the year, is the highest since 1984.

A change in the throughput charge for grain handled, caused operating revenues to decline by 25 percent from $803,000 in 1989 to $604,000 in 1990. For the same period, operating expenses rose 15 percent from $956,000 to $1.1 million, resulting in an operating loss of $500,000, up by 227 percent from $153,000 in 1989. Investment income of $1.8 million for the year counteracted this operating loss, resulting in a net income of $1.3 million, down by 24 percent from a net income in 1989 of $1.7 million.

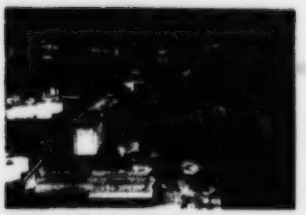
Port of Sept-Îles

The Port of Sept-Îles is a deepwater port located on the north shore of the St. Lawrence River, 650 kilometers east of Québec City. It consists of a large natural basin with a water depth of 80-meters , open to year-round navigation. The port serves the mining industry of Quebec and Labrador, with iron ore accounting for 90 percent of total traffic. Other substantial bulk traffic includes coal and salt.

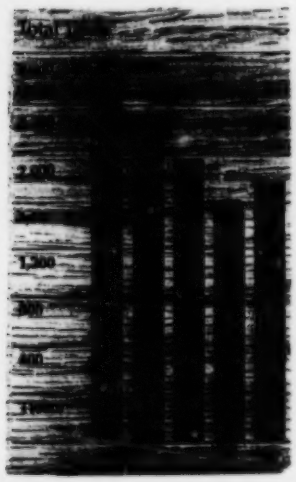
Total port traffic decreased by approximately 6 percent, from 23.3 million tonnes in 1989 to 22.0 million tonnes in 1990. This decrease was due primarily to a decline in the iron ore industry. Factors contributing to this decline include the economic recession in Canada and the US, and the steel-workers' strike in Ontario. The handling of calcinated petroleum coke, used for iron pellet production and iron ore shipments also experienced a decline.

Construction of the Alouette aluminum plant at Pointe-Noire, announced in September 1989, continued during the year. At the start of operations projected for the middle of 1992, total port traffic will increase by approximately one million tonnes annually. The port will be involved in the construction of a conveyor belt system and storage areas to accommodate raw materials. The port will also build an unloading dock, as well as a railway terminal which will connect the port to the North American railway network. The new rail service will accommodate the shipment of finished products from the aluminum plant to continental markets. Total port investment for this project will be $84.3 million.

Operating revenue increased from $1.2 million in 1989 to $1.5 million in 1990, due primarily to a shift in port traffic from private facilities to Ports Canada facilities. A strong demand for land leasing also contributed to growth in operating revenues. Operating expenses increased by 13 percent, from $1.5 million in 1989 to $1.7 million in 1990. An operating loss of $182,000 in 1990 is an improvement over the operating loss of $304,000 in 1989. Investment income of $448,000 provided the port with a net profit of $266,000 in 1990.



Port of Trois-Rivières



Port of Trois-Rivières

The Port of Trois-Rivières is strategically located on the north shore of the St. Lawrence River, midway between Montréal and Québec City. It is open to year-round navigation. Exports of paper products and grain account for a major part of the total port traffic. Trois-Rivières is the world's largest production centre for newsprint. It also handles a wide variety of other cargoes, including grains, petroleum products, salt and kaolin, to meet regional demands.

Total port traffic in 1990 was 1.8 million tonnes, an increase of 13 percent over 1989. This growth is due primarily to an increase of 311,000 tonnes in grain. The port continued to suffer from the fact that certain local mills use surface transportation for the shipment of their domestic newsprint. This is the primary reason for the decrease of 43 percent in general cargo traffic from 99,000 tonnes in 1989 to 56,000 tonnes in 1990.

In December 1990, Aluminerie Lauralco announced that Trois-Rivières had been chosen as the site for its terminal for aluminum, calcinated petroleum coke and raw materials for its aluminum plant being built in Deschambault, Quebec. The investment of approximately $18.5 million by Lauralco will eventually bring some 500,000 tonnes of additional traffic to the port. The first shipment is expected at the end of 1991 and full operations will be achieved by the summer of 1992.

Operating revenues at $1.8 million in 1990, declined slightly from the previous year, and operating expenses increased from $1.8 million to $2 million in 1990. Consequently, the operating profit of $97,000 in 1989 reversed to an operating loss of $201,000 in 1990. Investment revenues totalled $1.2 million which resulted in a net income of $1 million in 1990, compared to $1.3 million in 1989.

Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Canada Ports Corporation as at December 31, 1990 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Coopers & Lybrand

Chartered Accountants

Ottawa, Ontario
February 15, 1991

Balance Sheet as at December 31, 1990

(in thousands of dollars)

Assets	1990	1989
Current		
Cash	$ 861	$ 244
Short-term investments (Note 3)	28,409	32,867
Accounts receivable	1,960	1,793
Due from Canada	1,036	426
Materials and supplies	293	264
	32,559	35,594
Investments (Note 3)	18,497	18,429
Long-term receivable (Note 4)	224	299
Investment in Ridley Terminals Inc.	1	1
Fixed assets (Note 6)	40,812	36,059
	92,093	90,382
Interport Loan Fund - Assets (Note 11)	32,064	28,568
	$ 124,157	$ 118,950
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 9,641	$ 4,169
Grants in lieu of municipal taxes	384	118
Due to Canada (Note 10)	10,220	–
	20,245	4,287
Accrued employee benefits	1,340	1,208
Loans from Canada (Note 8)	1,226	1,319
Deferred revenues	279	–
Due to Interport Loan Fund (Note 9)	3,745	–
	26,835	6,814
Equity of Canada		
Contributed capital (Note 10)	53,198	73,638
Retained earnings	12,060	9,930
	65,258	83,568
	92,093	90,382
Interport Loan Fund - Contra (Note 11)	32,064	28,568
	$ 124,157	$ 118,950

On behalf of the Board:

A.R. Huntington

The Honourable A.R. Huntington
Chairman

J. M. Tessier

Jean Michel Tessier
President and Chief Executive Officer

Statement of Income and Retained Earnings

(in thousands of dollars)

for the year ended December 31, 1990	1990	1989
Revenue from operations	$ 10,592	$ 9,566
Operating and administrative expenses - net	9,820	8,769
Depreciation	2,958	2,690
Grants in lieu of municipal taxes	861	692
	13,639	12,151
Loss from operations	(3,047)	(2,585)
Investment income	5,616	5,369
Interest expense	(212)	(112)
Income before the undernoted	2,357	2,672
Share in loss of Ridley Terminals Inc.	–	(3,082)
Adjustment of grants in lieu of municipal taxes (Note 4)	–	1,174
Net income for the year	2,357	764
Retained earnings at beginning of the year	9,930	9,240
Dividend to Canada	(227)	(74)
Retained earnings at end of the year	$ 12,060	$ 9,930

Statement of Changes in Financial Position

(in thousands of dollars)

for the year ended December 31, 1990	1990	1989
Operating Activities		
Net income for the year	$ 2,357	$ 764
Items not affecting cash		
Depreciation	2,958	2,690
Share in loss of Ridley Terminals Inc.	–	3,082
Accrued employee benefits	132	37
Deferred interest	106	–
Other	(30)	(13)
Long-term deferred revenues	279	–
Long-term receivable	75	(299)
Net change in operating components of working capital	(1,112)	(12,060)
Cash provided (required) by operating activities	4,765	(5,799)
Financing Activities		
Capital grants	9,747	2,754
Change in due from Canada	(610)	2,056
Transfers from Interport Loan Fund	3,639	–
Repayment of loans from Canada	(87)	(81)
Contribution to Canada	(20,440)	–
Amount due to Canada	10,220	–
Dividend paid to Canada	(227)	(74)
Cash provided by financing activities	2,242	4,655
Investing Activities		
Additions to fixed assets	(17,496)	(4,664)
Change in construction payables	6,648	(1,354)
Cash required by investing activities	(10,848)	(6,018)
Decrease in cash and short-term investments	(3,841)	(7,162)
Cash and short-term investments at beginning of the year	33,111	40,273
Cash and short-term investments at end of the year	$ 29,270	$ 33,111

1. Canada Ports Corporation Act

Canada Ports Corporation is established under the *Canada Ports Corporation Act*. The Act provides for the establishment of local port corporations to manage and operate selected ports. The Corporation is named in Part II of Schedule III of the *Financial Administration Act* and is exempt from income tax.

2. Significant Accounting Policies

(a) Financial statements
The financial statements of the Corporation include the accounts of the ports and other facilities under its administration, as well as those of the Interport Loan Fund. The activities of the local port corporations are excluded from the financial statements from the date of their establishment.

(b) Investments
The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

(c) Investment in Ridley Terminals Inc.
The investment in Ridley Terminals Inc. is accounted for on the equity basis.

(d) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

(e) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(f) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are finalized after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(g) Employee benefits
The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees under its collective agreements, or in accordance with its policy.

3. Investments

Investments are direct and guaranteed securities of Canada. Their amortized cost and market value are as follows:

(in thousands of dollars)

	1990		1989	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Current - Canada treasury bills	$ 28,409	$ 28,435	$ 32,867	$ 32,788
Long-term - Canada bonds	$ 18,497	$ 20,129	$ 18,429	$ 21,080

4. Long-term Receivable

In 1989, the Municipal Grants Division of Public Works Canada finalized an audit of grants in lieu of municipal taxes. This audit resulted in an adjustment of $1,174,000 in favour of the Corporation for the years 1985 to 1989, $800,000 of which had been accrued in previous years. This accrual was reversed and the balance of $374,000 was set up in 1989 as a long-term receivable from the Local Government District of Churchill in Manitoba. The receivable is to be recovered in equal annual installments from 1990 to 1994.

(in thousands of dollars)

	1990	1989
Non-interest bearing receivable	$ 299	$ 374
Less: Current portion	(75)	(75)
	$ 224	$ 299

5. Debentures of Saint John Harbour Bridge Authority

As at December 31, 1989, the Saint John Harbour Bridge Authority (the Authority) was indebted in the amount of $13,793,000 to the Corporation, which in turn was indebted to Canada in the same amount. Accordingly, the debentures receivable and the advances payable had been offset against each other, as were the related interest income and expense of $947,000 for 1989. Thus the financial statements of the Corporation for the year ended December 31, 1989 did not reflect any of these amounts.

In June 1990, the Corporation, by agreement with the Government of Canada and the Authority, assigned and transferred to Canada the debentures receivable from the Authority, and was thereby released and discharged from the related indebtedness to Canada.

6. Fixed Assets

a) Summary

(in thousands of dollars)

	Depreciation rates %	Cost	Accumulated Depreciation	1990 Net	1989 Net
Land	–	$ 4,482	$ –	$ 4,482	$ 4,482
Dredging	2.5 – 6.7	9,489	6,339	3,150	3,475
Berthing structures	2.5 – 10	34,515	18,419	16,096	16,826
Buildings	2.5 – 10	16,418	12,432	3,986	4,187
Utilities	3.3 – 10	2,818	1,558	1,260	1,363
Roads and surfaces	2.5 – 10	3,775	1,958	1,817	571
Machinery and equipment	5 – 100	20,187	16,669	3,518	4,118
Office furniture and equipment	20	3,237	2,385	852	794
Works under construction	–	5,651	–	5,651	243
		$ 100,572	$ 59,760	$ 40,812	$ 36,059

(b) Capital grants

During the year, the Corporation received capital grants towards the construction of fixed assets totalling $9,747,000 (1989 - $2,754,000).

(c) Capital expenditure commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $28,938,000 of which most will be expended in the year ending December 31, 1991.

7. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are deferred revenues of $965,000 (1989 - $679,000) and current portion of long-term liabilities of $93,000 (1989 - $87,000).

8. Loans from Canada

(in thousands of dollars)

	1990	1989
Loans bearing interest at 6.44% and 9.09%, repayable in blended annual instalments of principal and interest of $193,000 and maturing on December 31, 2000	$ 1,319	$ 1,406
Less: Current portion	(93)	(87)
	$ 1,226	$ 1,319

Principal repayment requirements over the next five years amount to $93,000 in 1991, $100,000 in 1992, $108,000 in 1993, $116,000 in 1994 and $124,000 in 1995.

9. Due to Interport Loan Fund

The Interport Loan Fund has provided financing for a capital project of a port under the administration of the Corporation. This financing comprised transfers of funds totalling $3,639,000 and accrued interest on the transfers of $106,000. The transfers bear interest at 10.91% to 11.47% and are to be repaid in twenty blended annual instalments of principal and interest, scheduled to commence December 31, 1993.

The terms of the transfers provide that accrued interest is to be added to the principal amount of the transfers and compounded annually until the annual payments commence. The repayment of the deferred interest is subject to the same terms as the principal amount of the transfers.

Principal repayment requirements over the next five years amount to $70,000 in 1993, $78,000 in 1994 and $87,000 in 1995.

10. Contributed Capital

Canada has requested a contribution of $100 million towards the federal deficit reduction from Canada Ports Corporation and the local port corporations. Cash payments have been requested of ports identified with cash reserves exceeding their short-term capital investment needs.

The Corporation's share of the contribution was $20.44 million of which $10.22 million is shown as Due to Canada at December 31, 1990. The contribution has been applied against Contributed Capital as follows:

(in thousands of dollars)

	1990	1989
Balance at beginning of the year	$ 73,638	$ 73,638
Contribution to Canada	(20,440)	–
Balance at end of the year	$ 53,198	$ 73,638

11. Interport Loan Fund

In 1989, Canada provided a grant of $26,650,000 to establish the Interport Loan Fund. This grant was equivalent to the 1988 and 1989 dividend payments of the Corporation and the local port corporations, plus accrued interest.

The purpose of the Fund is to provide financing for financially viable capital projects of the Corporation and the local port corporations.

The balance sheet of the Fund as at December 31 shows:

(in thousands of dollars)

	1990	1989
Assets		
Current		
Cash and treasury bill investments	$ 28,319	$ 28,568
Transfers receivable	3,745	–
	$ 32,064	$ 28,568
Fund Balance		
Contribution from Canada	$ 26,650	$ 26,650
Retained earnings	5,414	1,918
	$ 32,064	$ 28,568

The investments of the Fund, shown at amortized cost, are direct and guaranteed securities of Canada. As at December 31, 1990 and 1989, the market value of the investments approximates their amortized cost.

The transfers made in 1990 are described in note 9.

The Fund is committed to providing financing of $55.3 million for financially viable capital projects of divisional ports over the next three years. Canada has made a commitment to invest up to $50 million in the Fund over the same time period.

The statement of income and retained earnings of the Fund for the year ended December 31, 1990 in comparison with the seven month period ended December 31, 1989, is as follows:

(in thousands of dollars)

	1990	1989
Interest income	$ 3,571	$ 1,918
Administrative expenses	75	–
Net income	3,496	1,918
Retained earnings at beginning of the year/period	1,918	–
Retained earnings at end of the year/period	$ 5,414	$ 1,918

12. Related Party Transactions

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and crown corporations.

In accordance with the *Canada Ports Corporation Act*, operating and administrative costs incurred by the Corporation in the amount of $7,177,000 have been recovered from the local port corporations in 1990 ($6,225,000 in 1989). These recoveries are offset against the related expenses.

Investment income of $5,616,000 ($5,369,000 in 1989) was earned on Government of Canada securities and interest charges of $106,000 ($112,000 in 1989) were paid to Canada. Details of other transactions with the Government of Canada are disclosed in notes 6(b), 8 and 10.

13. Contingencies

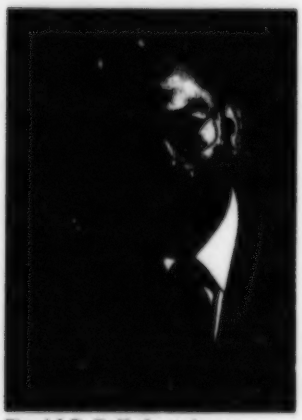
Claims aggregating approximately $3,459,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

The Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from such claims are recorded in the accounts in the year they can be reasonably estimated.

Halifax Port Corporation

Joint Message from the Chairman of the Board and the President and Chief Executive Officer

Donald A. Parker



David F. Bellefontaine

The Halifax Port Corporation is pleased to report on its fifth consecutive record year for cargo tonnages.

Competitive pressures on North American ports were further strengthened in 1990, creating an environment of intense marketing and solicitation of business. Over the past five years, the Port of Halifax has doubled its volume of containerized cargo, even though competition from other ports during this period had become more severe.

The positive operating and financial results produced in 1990 reflect the viability and outward thrust of the Halifax Port Corporation which now handles more Canadian containerized cargo than any other port.

The acquisition of a third gantry crane at the Ceres container terminal, and the announcement of a fourth gantry crane by Halterm Ltd. further bolstered the optimism and investment in the Port of Halifax for the future. These commitments, together with other investments by the Halifax Port Corporation and other team players, express to shipping lines the dedication of the partners and their desire to keep the port a winning product.

In accordance with our statutory obligation, we are pleased to advise the Board of Directors and the shareholder, that the Corporation has adequate measures in place to ensure the achievement of the Corporation's objectives.

Capital Expenditures

Capital expenditures in 1990 amounted to $2.3 million, which included $845,000 for the crane rail connection between Pier "C" and Pier "B". Pier "B" has been leased to Halterm Limited thereby providing an additional 572 meters of berthing and 4.61 hectares of cargo handling area.

The remaining $1.5 million was expended on the Pier "C" Restroom Expansion ($0.6 million), purchase of a port patrol boat ($140,000), renovations to the Corporation's Administration Building ($174,000) and miscellaneous plant and equipment requirements.

Over the past five years, the Corporation has spent $16 million on capital projects ($15.1 million being funded from port working capital).

Cargo Highlights

For the fifth consecutive year, cargo levels reached a new record. Total port cargo was 17.3 million tonnes, up from the previous record of 16.8 million tonnes set in 1989.

Imports and exports of crude and refined oils amounted to 9.1 million tonnes, up by 5.3 percent from 8.6 million tonnes recorded the previous year. Exports of gypsum grew slightly to 3.2 million in 1990.

Containerized cargo reached an all time record in 1990 at 3.9 million tonnes, which represents an increase of 100 percent over the past five years. The Port of Halifax now has more liner sailings to more world ports than any other port in Canada. Even under the present intensified competition within North America, port management intends to enhance the Port of Halifax as an important port of call to lines serving the globe.

Financial Results

Revenue from operations amounted to $15 million in 1990, up slightly from the $14.9 million recorded in 1989. Total expenses were $11.9 million, as compared to $10.6 million in 1989. Income from operations fell to $3.1 million, from $4.2 million the year earlier. Net income was recorded at $3.7 million as compared to the record set in 1989 of $4.6 million.

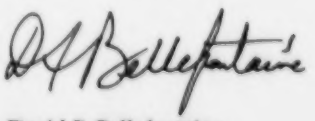
Working capital remained relatively unchanged at $6.8 million at year's end; short term investments increased by $0.7 million to reach $7.8 million at year's end.

Personal Contributions

The record year for cargo tonnage in 1990 was achieved only through the teamwork and dedication of all port partners. We wish to thank all those who have worked so hard in 1990 to make the Port of Halifax one of the success stories during the year.

The future looks competitive but bright; only through the continued positive contributions of all players, can we ensure that the future is one of promise and success.

Donald A. Parker
Chairman of the Board



David F. Bellefontaine
President and Chief Executive Officer

Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Halifax Port Corporation as at December 31, 1990, and the statements of income and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects the financial position of the Corporation as at December 31, 1990, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.

Ware Leymont

Chartered Accountants

Halifax, Nova Scotia
January 28, 1991

Balance Sheet as at December 31, 1990

Assets	1990	1989
Current		
Cash	$ 796,402	$ 239,827
Investments (Note 3)	7,788,502	7,134,531
Accounts receivable	2,517,733	2,604,428
Materials and supplies	105,608	133,269
	11,208,245	10,112,055
Investments (Note 3)	33,615	33,510
Fixed (Note 4)	58,723,495	59,273,611
	$ 69,965,355	$ 69,419,176
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 3,157,432	$ 1,699,611
Grants in lieu of municipal taxes	335,768	250,008
Deferred revenues	539,777	940,711
Current portion of long term debt	404,208	367,462
	4,437,185	3,257,792
Accrued employee benefits	701,831	664,314
Loans from Canada (Note 5)	2,714,506	3,118,714
	7,853,522	7,040,820
Equity		
Contributed capital (note 6)	50,856,865	53,796,865
Surplus	11,254,968	8,581,491
	62,111,833	62,378,356
	$ 69,965,355	$ 69,419,176

Contingent liabilities (Note 7)

On behalf of the Board:

D. A. Parker

Donald A. Parker
Chairman

D. F. Bellefontaine

David F. Bellefontaine
President and Chief Executive Officer

Statement of Income and Surplus

year ended December 31, 1990	1990	1989
Revenue from operations	$15,007,422	$14,851,629
Operating and administrative expenses	8,851,002	7,440,556
Depreciation	2,104,449	2,215,426
Grants in lieu of municipal taxes	1,000,000	978,444
	11,955,451	10,634,426
Income from operations	3,051,971	4,217,203
Investment income	991,563	737,672
Interest expense	(348,617)	(382,023)
Gain on disposal of fixed assets	2,552	7,123
	645,498	362,772
Net income	3,697,469	4,579,975
Surplus, beginning of year	8,581,491	4,580,185
	12,278,960	9,160,160
Dividend to Canada	1,023,992	578,669
Surplus, end of year	$11,254,968	$ 8,581,491

Statement of Changes in Financial Position

year ended December 31, 1990	1990	1989
Operating activities		
Net income	$ 3,697,469	$ 4,579,975
Depreciation	2,104,449	2,215,426
Other	34,860	(22,413)
Decrease in operating components of working capital	66,792	1,166,559
Cash provided by operating activities	5,903,570	7,939,547
Financing activities		
Increase (decrease) in accounts payable	320,211	(311,276)
Loans from Canada	(367,462)	(334,057)
Dividend to Canada	(1,023,992)	(578,669)
Contributions to Canada	(1,470,000)	–
Cash applied to financing activities	(2,541,243)	(1,224,002)
Investing activities		
Additions to fixed assets	(2,157,980)	(5,378,441)
Other	6,199	12,497
Cash applied to investing activities	(2,151,781)	(5,365,944)
Increase in cash and short-term investments	1,210,546	1,349,601
Cash and short-term investments, beginning of year	7,374,358	6,024,757
Cash and short-term investments, end of year	$ 8,584,904	$ 7,374,358

Notes to Financial Statements

year ended December 31, 1990

1.

In accordance with the *Canada Ports Corporation Act*, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation - Port of Halifax to Halifax Port Corporation.

2. Significant Accounting Policies

(a) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(b) Fixed assets
Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

(c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

(d) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. Investments

	1990		1989	
	Amortized Cost	Face Value	Amortized Cost	Face Value
Short term	$ 7,778,502	$ 8,115,100	$ 7,134,531	$ 7,474,800
Long term	$ 33,615	$ 34,270	$ 33,510	$ 33,498

4. Fixed Assets

	Depreciation Rates	Cost	Accumulated Depreciation	1990 Net Book Value	1989 Net Book Value
Land		$ 24,441,887	$	$ 24,441,887	$ 24,441,887
Dredging	2.5 – 6.7%	3,443,290	2,350,125	1,093,165	1,122,111
Berthing structures	2.5 – 10%	35,120,246	19,079,438	16,040,808	16,625,264
Buildings	2.5 – 10%	17,701,738	11,400,781	6,300,957	5,962,638
Utilities	3.3 – 10%	5,934,454	2,435,755	3,498,699	3,644,161
Roads and surfaces	2.5 – 10%	8,481,260	4,457,097	4,024,163	4,496,261
Machinery and equipment	5 – 100%	8,388,112	6,320,424	2,067,688	2,680,171
Office furniture and equipment	20%	1,123,698	971,364	152,334	152,808
Projects under construction		1,103,794		1,103,794	148,310
		$105,738,479	$ 47,014,984	$ 58,723,495	$ 59,273,611

5. Loans from Canada

	1990	1989
10% loan maturing on December 31, 1996, repayable in blended annual principal and interest payments of $716,080	$ 3,118,714	$ 3,486,176
Less current portion repayable within one year	$ 404,208	367,462
	$ 2,714,506	$ 3,118,714

The loans from Canada are unsecured.

6. Contributed Capital

Under a deficit sharing initiative undertaken by the Government of Canada, the Corporation provided $2,940,000 during 1990 as a return on capital amounts previously contributed.

7. Contingent Liabilities

(a) The Corporation has been named as one of the defendants in a lawsuit for damages for which the plaintiff has not quantified an amount. In the opinion of management this claim is without merit and therefore no provision has been made in the accounts.

(b) The Corporation has been assessed for approximately $625,000 grants in lieu of taxes in addition to the amounts provided for. In the opinion of management this assessment is not valid. The determination of additional amounts due, if any, is subject to the completion of a final audit and assessment by Public Works Canada, the outcome of which cannot be reasonably determined at this time.

8. Comparitive Figures

Certain of the 1989 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1990.

Board of Directors

Donald A. Parker *
Chairman
Businessman
Dartmouth, N.S.

Paul M. Murphy, Q.C. *
Vice-Chairman
Partner
Patterson Kitz
Halifax, N.S.

Florence R. Irwin **
Partner
Canadian Annuity
Quotations and Insurance Services Ltd.
Bedford, N.S.

Michael J. Proude
President - Local 269
International Longshoremen's Association
Dartmouth, N.S.

Lois A. Glibbery **
Property Marketing Specialist
Royal LePage Real Estate Services Ltd.
Dartmouth, N.S.

Harald A. Norve *
President, H.A. Norve & Associates Ltd.
Halifax, N.S.

Captain Ernest A. Coates **
Retired Marine Superintendent
Esso Petroleum Canada
Dartmouth, N.S.

* Executive Committee
** Audit Committee

Officers of the Corporation

Donald A. Parker
Chairman

Paul M. Murphy
Vice-Chairman

David F. Bellefontaine
Port Manager, President and Chief Executive Officer

Lorraine E. Brenton
Corporate Secretary

Claude L. Ball
Senior Vice-President and Chief Operating Officer

Robert A. Kaye
Vice-President, Marketing

Richard T. Pentland
Vice-President, Engineering and Works

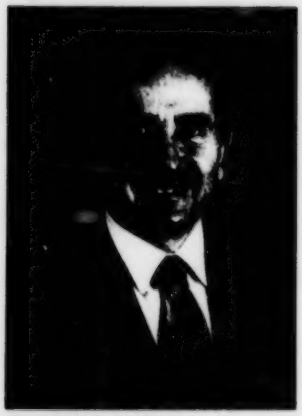
Dennis W. Creamer
Vice-President, Finance and Real Property

Peter J. MacKeigan
Chief Legal Officer

Montréal Port Corporation

Joint Message from the Chairman of the Board and the President and Chief Executive Officer

André Gingras



Dominic J. Taddeo

We are pleased to report on the Corporation's operating results for 1990, a year in which the port set a record in containerized general cargo traffic and increased its share of the containerized cargo market despite fierce competition.

The total volume of traffic handled at the Port of Montréal in 1990 was 21.7 million metric tonnes, an increase of 6.5 percent compared with 1989.

1990 Highlights

Traffic in the containerized and non-containerized general cargo category totalled 6.9 million tonnes, up 3.5 percent compared with the previous year. Containerized general cargo traffic reached an unprecedented 5.8 million tonnes, an increase of 7.4 percent.

Like the Corporation and everyone involved in port activity, our container shipping lines, as dynamic as ever and accustomed to moving forward in the face of fierce competition, stepped up their marketing and sales efforts and introduced new initiatives in 1990 to offer more and more efficient services at highly competitive prices.

For its part, the port has taken measures to ensure its progress and maintain its competitive edge by embellishing its traffic incentive program to encourage as much container traffic as possible, rigidly controlling operating costs, improving and expanding port facilities, taking joint initiatives with its partners in the areas of marketing and promotion, and creating a port users' committee to increase efficiency and productivity through improved communications.

In the petroleum-products sector, traffic benefited from the growth in demand for refined products and rose to 7.1 million tonnes in 1990, an increase of 2.5 percent.

Last year showed a marked improvement in grain handling, with traffic in this sector up 63.6 percent to reach 2.7 million tonnes. This improvement was mainly attributable to better harvests in 1989 and 1990, and Canada's major sale of wheat to the U.S.S.R. which brought the port more activity at the end of the year.

Traffic in the other dry and liquid-bulk category totalled five million tonnes in 1990, a decrease of three percent compared with 1989.

One of the highlights for the Port of Montréal in 1990 was its acquisition of Contrecoeur Terminal, a division of Iron Ore Co. of Canada. The Corporation is now the owner of a dry bulk terminal and has acquired its clientele.

Contrecoeur Terminal is a new source of revenue and it is an excellent and timely solution to the port's acute and urgent problem of shortage of space for handling and storing bulk cargo. The facility is immediately adjacent to the land bank that the Port of Montréal has assembled in Contrecoeur for container expansion and fits in well with the port's Horizon 2010 development strategy announced in August 1988.

Financial Results

Revenue from operations totalled $55.6 million and net income from operations was $3.6 million. Net income amounted to $10.8 million including net investment income of $7.2 million.

Capital expenditures amounted to $22.9 million, reflecting our continuing commitment to expanding and improving our facilities.

It is a pleasure for us to assure the Board of Directors and the shareholder that adequate measures are in place to ensure the achievment of our corporate objectives.

Outlook

We cannot expect 1991 to bring us more grain traffic than last year as the situation in this sector remains difficult throughout the entire St. Lawrence/Great Lakes system.

In other respects, with the war in the Persian Gulf and its possible repercussions on the world economy, as well as the recession, we must be careful in making any forecasts for 1991.

Nevertheless, we firmly believe that the Port of Montréal will do as well as or even better than other ports on the North American eastern seaboard in 1991.

We are convinced that everyone involved in port activity in Montréal will continue to do their part to improve services, and we are confident that the Port of Montréal will continue to be a leader on the North Atlantic for a long time to come.

André Gingras
Chairman of the Board

Dominic J. Taddeo
President and Chief Executive Officer

Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.
Minister of Transport

We have audited the consolidated balance sheet of Montréal Port Corporation as at December 31, 1990 and the consolidated statements of earnings, retained earnings, contributed capital and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Furthermore, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and with the charter and by-laws of the Corporation.

Samson Bélair
Deloitte & Touche

Chartered Accountants

Montréal, Quebec
February 8, 1991

Consolidated Balance Sheet as at December 31, 1990 (in thousands of dollars)

	1990	1989
Assets		
Current Assets		
Cash	$ 252	$ 1,340
Investments (Note 3)	16,222	21,083
Accounts receivable	11,365	10,240
Materials and supplies	929	940
	28,768	33,603
Long-term investments (Note 3)	32,927	39,749
Property, plant and equipment (Note 4)	168,925	156,989
Other assets	575	579
	$ 231,195	$ 230,920
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 5)	$ 21,728	$ 8,117
Grants in lieu of municipal taxes	2,970	820
	24,698	8,937
Accrued employee benefits	5,291	5,206
Loans from Canada (Note 6)	5,669	6,129
	35,658	20,272
Equity of Canada		
Contributed capital	158,919	183,569
Retained earnings	36,618	27,079
	195,537	210,648
	$ 231,195	$ 230,920

On behalf of the Board:

André Gingras
Chairman

Dominic J. Taddeo
President and Chief Executive Officer

Consolidated Statement of Earnings

(in thousands of dollars)

year ended December 31, 1990	1990	1989
Revenue from operations	$ 55,552	$ 53,034
Operating and administrative expenses	37,175	40,159
Depreciation	10,145	10,503
Grants in lieu of municipal taxes	4,653	4,125
	51,973	54,787
Earnings (loss) from operations	3,579	(1,753)
Investment income	7,609	7,372
Interest expense	(410)	(436)
	7,199	6,936
Net earnings	$ 10,778	$ 5,183

Consolidated Statement of Retained Earnings

(in thousands of dollars)

year ended December 31, 1990	1990	1989
Balance, beginning of year	$ 27,079	$ 25,201
Net earnings	10,778	5,183
Dividend	(1,239)	(3,305)
Balance, end of year	$ 36,618	$ 27,079

Consolidated Statement of Contributed Capital

(in thousands of dollars)

year ended December 31, 1990	1990	1989
Balance, beginning of year	$ 183,569	$ 183,569
Special contribution to Canada	24,650	–
Balance, end of year	$ 158,919	$ 183,569

Consolidated Statement of Changes in Financial Position

(in thousands of dollars)

year ended December 31, 1990	1990	1989
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net earnings	$ 10,778	$ 5,183
Items not affecting cash		
Depreciation	10,145	10,503
Other	(461)	687
	20,462	16,373
Changes in non-cash operating working capital items (Note 7)	2,653	(5,211)
	23,115	11,162
Financing		
Repayment of current portion of loans from Canada	(432)	(407)
Increase (decrease) in accrued employee benefits	85	(123)
Dividend paid	(1,239)	(3,305)
Special contribution to Canada	(12,325)	–
	(13,911)	(3,835)
Investing		
Decrease (increase) of long-term investments	6,822	(177)
Acquisition of property, plant and equipment	(22,934)	(15,029)
Increase (decrease) in deposits on land sold	(355)	375
Proceeds on disposal of property, plant and equipment	1,314	468
Decrease of other assets	61	36
Acquisition of other assets	(61)	(140)
	(15,153)	(14,467)
Net cash outflow	(5,949)	(7,140)
Cash position, beginning of year	22,423	29,563
Cash position, end of year	$ 16,474	$ 22,423

Cash position comprises cash and short-term investments.

Notes to Consolidated Financial Statements

year ended December 31, 1990

1. Description of Business

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with subsection 6.2(1) of the *Canada Ports Corporation Act* on July 1, 1983.

Under Section 6.5 of the same *Act*, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour administered by the Board shall be deemed to have been transferred to the local port corporation, in this case the Corporation.

The Corporation holds an investment in a wholly-owned subsidiary, 176422 Canada Inc., which is consolidated.

2. Accounting Policies

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

(a) Investments
Investments are shown at amortized cost, with premiums or discounts amortized over their periods to maturity.

(b) Materials and Supplies
Materials and supplies are valued at the lower of cost and replacement cost. Cost is determined substantially on average cost.

(c) Property, Plant and Equipment
Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

(d) Pension Costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

(e) Grants in Lieu of Municipal Taxes
Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(f) Employee Benefits
The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements or in accordance with Corporation policy.

3. Investments

Funds are invested in Government of Canada direct securities and guaranteed by the Government of Canada. As at December 31, 1990, the market value of the short-term investments is equivalent to their amortized cost, and the market value of long-term investments is $35,135,092 ($43,868,057 in 1989).

4. Property, Plant and Equipment

(in thousands of dollars)

	Depreciation Rates	Cost	Accumulated Depreciation	1990 Net Book Value	1989 Net Book Value
Land		$ 25,783	$ –	$ 25,783	$ 26,086
Dredging	2.5%	16,178	12,936	3,242	3,526
Berthing structures	2.5%	61,587	40,965	20,622	20,602
Buildings	2.5 – 10%	70,837	32,771	38,066	39,578
Utilities	3.3 – 10%	17,816	8,498	9,318	9,927
Roads and surfaces	2.5 – 10%	59,140	19,768	39,372	38,208
Machinery and equipment	5 – 20%	56,621	40,936	15,685	17,090
Office furniture and equipment	20%	3,509	2,213	1,296	1,272
		311,471	158,087	153,384	156,289
Acquisition for expansion*		15,344	–	15,344	–
Projects under construction		197	–	197	700
		$ 327,012	$ 158,087	$ 168,925	$ 156,989

* As at December 28,1990, the Corporation purchased the port operations of a mining company. The purchase price was $15,250,000 cash included in acquisition for expansion. The acquisition was accounted for by the purchase method, and the results of operations will be included in the consolidated financial statements as of January 1, 1991, the effective date of transfer of the operations.

5. Accounts Payable and Accrued Liabilities

(in thousands of dollars)

	1990	1989
Special contribution to Canada	$ 12,325	$ –
Current portion of loans from Canada	460	432
Deferred revenues	828	632
Other	8,115	7,053
	$ 21,728	$ 8,117

6. Loans from Canada

(in thousands of dollars)

	1990	1989
Loans, 6.25% payable to 2000 in annual installments of $842,561 including interest	$ 6,129	$ 6,561
Current portion	460	432
	$ 5,669	$ 6,129

Principal repayment requirements over the next five years amount to:

1991	1992	1993	1994	1995
$ 459,528	$ 488,249	$ 518,765	$ 551,187	$ 585,636

Changes in Non-Cash Operating Working Capital Items

(in thousands of dollars)

	1990	1989
Accounts receivable	$ (766)	$ (1,415)
Materials and supplies	11	(68)
Accounts payable and accrued liabilities	1,258	(2,162)
Grants in lieu of municipal taxes	2,150	(1,566)
	$ 2,653	$ (5,211)

8. Contingencies

Claims aggregating approximately $3,000,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

9. Commitments

a) Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $689,000.

b) In accordance with a Government of Canada policy concerning payment of dividends, the Corporation would be required to pay a dividend, in respect of the 1990 fiscal year, based on a method of calculation using net earnings. This dividend, payable before March 31, 1991, would amount to approximately $2,700,000 and would be applied against retained earnings.

10. Related Party Transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown corporations. The Corporation derives revenues from related parties principally from grain warehousing and switching charges. The expenses paid to related parties are principally administration fees.

Board of Directors

André Gingras *
Chairman
President, André Gingras & associés Inc.
Westmount, Que.

Bernard J. Finestone *
Vice-Chairman
President, Abbey Finestone Inc.
Westmount, Que.

Roger Bishop
Longshoremen's Union
CUPE/Local 375
Brossard, Que.

Suzanne Brochu
Communications Officer
Caisse de dépôt et placement du Québec
Montréal, Que.

Raphael Esposito *
Esposito, Cocciardi, St-Onge & Beaulieu
Montréal, Que.

Peter B. Ohrt
Vice-President and Group Manager
Burson-Marsteller
Montréal, Que.

Hubert F. Pichet
Lawyer
Deveau, Lavoie & associés
Laval, Que.

* Members of the Executive Committee

Officers of the Corporation

André Gingras
Chairman

Dominic J. Taddeo
President and Chief Executive Officer

Roger Dubé
Vice-President, Administration

Normand Fillion
Vice-President, Marketing

Michel Lesage
Vice-President, Operations

André Bédard
Director of Human Resources

Jean Mongeau
Corporate Secretary

Prince Rupert Port Corp

Joint Message from the Chairman of the Board and the General Manager and Chief Executive Officer

Donald H. Seidel

Terrence R. Andrew, P.Eng.

The Prince Rupert Port Corporation is pleased to report activities and results for the 1990 fiscal year. As in previous years, the port continued its thrust towards strategic issues affecting the future development and utilization of facilities. The port has expanded its intensive marketing program to include offshore Asian trade to ensure that all possible business opportunities are explored.

The port's Fairview Terminal expansion was completed in the spring of 1990. This expansion, which has provided an increase in terminal storage space of 35 percent and a third ship berth, will ensure that Canadian exporters of forest products have an effective and efficient gateway through which world markets can be reached, well into the next decade. At the same time, the port has been actively pursuing additional cargo to take full advantage of this newly expanded terminal.

The port continued its feasibility studies on Westview Terminal located in the inner harbour of Prince Rupert. During the year, progress was also made on the acquisition of waterfront property with the purchase of a 26 hectare site on the southern end of Kaien Island. This property is now included in the port's long-term future plans for development, specifically targeting liquid-bulk products. The Land Use Management Plan continues to be updated in order that the port can satisfy its objectives of developing the waterfront consistent with national, regional and local needs.

Total throughput at the Port of Prince Rupert in 1990 totalled 12.3 million tonnes, which is a 9 percent increase over the 1989 results. This is due mainly to a significant increase in grain shipments from Prince Rupert Grain's (PRG) terminal. Total grain shipments from PRG were 4.4 million tonnes, which is a 31 percent increase over the previous year's total. Coal throughput at the Ridley Island coal terminal reached 6.2 million tonnes resulting in a 4 percent increase over the previous year. Coal shipments for the upcoming year are uncertain due to the uncertainty of the northeast coal situation. Pulp shipments at Watson Island were 321,000 tonnes which is an 11 percent reduction over 1989 shipments.

Traffic at the port-owned Fairview Terminal was 827,000 tonnes which showed a decrease over the previous year of 17 percent. This decline is due to a reduction in lumber shipments which showed a throughput of 585,364 for the year. This trend is expected to continue into 1991. However, specialty grains shipped over Fairview Terminal at 181,945 tonnes realized an increase of 35 percent over 1989 shipments.

While ferry passengers through the port decreased during 1990 to 177,731, there was an increase in cruise ship passengers to 3,556 over 2,023 the previous year.

The Port of Prince Rupert is pleased to announce its 1990 financial results. Operating revenues show a slight decline to a level of $14.2 million. Operating income improved over the 1989 level, rising to $ 2.8 million. However, net income was down from the prior year to $2 million due to financing charges on the $17.3 million loan required for construction of the Fairview Terminal expansion.

In accordance with our statutory obligation, it is a pleasure for us to inform the Board of Directors and the shareholder, that the Corporation made measurable progress in achieving its objectives; and that necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

In conclusion, the port would like to thank everyone involved in waterfront activity in Prince Rupert for their effort and dedication during 1990. We are confident that the ongoing challenges can be met with this continued support from the industry. With the ongoing support and commitment of the City of Prince Rupert, the Port of Prince Rupert will continue to expand and develop in order to meet the needs of its customers in the future.

Donald H. Seidel
Chairman of the Board

Terrence R. Andrew, P.Eng.
General Manager and Chief Executive Officer

Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Prince Rupert Port Corporation as at December 31, 1990 and the statements of income and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the letters patent and by-laws of the Corporation.

Peat Marwick Thorne

Chartered Accountants

New Westminster, British Columbia
February 1, 1991

Balance Sheet as at December 31, 1990

Assets	1990	1989
Current Assets		
Cash	$ 254,462	$ 106,563
Investments (note 2)	5,337,094	1,793,604
Accounts receivable	2,227,574	1,325,290
Materials and supplies	209,615	110,779
	8,028,745	3,336,236
Property and equipment (note 3)	104,024,593	97,774,346
	$112,053,338	$101,110,582
Liabilities and Equity of Canada		
Current liabilities		
Accounts payable and accrued liabilities	$ 282,641	$ 3,317,012
Payable to Canada	2,174,570	1,864,733
Grants in lieu of municipal taxes	441,397	500,874
Deferred revenues	201,004	173,481
Current portion of loans from Canada	300,873	80,129
	3,400,485	5,936,229
Long-term debt		
Recoverable contribution from Canada (note 4)	48,300,000	48,300,000
Loans from Canada (note 5)	16,878,998	4,419,871
	65,178,998	52,719,871
Equity of Canada		
Contributed surplus	31,311,805	31,311,805
Surplus	12,162,050	11,142,677
	43,473,855	42,454,482
	$112,053,338	$101,110,582

Commitments (note 6)

On behalf of the Board:

Donald H. Seidel
Chairman

Terrence R. Andrew, P.Eng.
General Manager and Chief Executive Officer

Statement of Income and Surplus

year ended December 31, 1990	1990	1989
Revenue from operations	$14,195,949	$14,372,103
Expenses		
Operating and administrative	9,272,992	9,614,220
Depreciation	1,652,365	701,994
Grants in lieu of municipal taxes	439,826	544,573
	11,365,183	10,860,787
Income from operations	2,830,766	3,511,316
Other income (expense)		
Interest income	1,000,973	985,783
Loss on disposal of property and equipment	(283,573)	–
Interest expense	(1,554,732)	(83,562)
	(837,332)	902,221
Net income	1,993,434	4,413,537
Surplus, beginning of year	11,142,677	7,852,327
	13,136,111	12,265,864
Dividend to Canada	974,061	1,123,187
Surplus, end of year	$12,162,050	$11,142,677

Statement of Changes in Financial Position

year ended December 31, 1990	1990	1989
Cash provided by (used in):		
Operations		
Net income	$ 1,993,434	$ 4,413,537
Items not involving cash		
Depreciation	1,652,365	701,994
Loss on disposal of property and equipment	283,573	-
Changes in non-cash operating working capital		
Accounts receivable	(902,284)	(463,865)
Materials and supplies	(98,836)	(17,115)
Accounts payable and accrued liabilities	(3,034,371)	2,630,846
Grants in lieu of municipal taxes	(59,477)	106,276
Deferred revenues	27,523	24,151
	(138,073)	7,395,824
Financing		
Increase in payable to Canada	309,837	1,845,865
Increase in loans from Canada	12,679,871	4,500,000
Dividend to Canada	(974,061)	(1,123,187)
	12,015,647	5,222,678
Investment		
Purchase of property and equipment	(8,186,185)	(27,204,293)
Increase (decrease) in cash position	3,691,389	(14,585,791)
Cash position, beginning of year	1,900,167	16,485,958
Cash position, end of year	$ 5,591,556	$ 1,900,167

Cash position is defined as cash and investments

Notes to Financial Statements

year ended December 31, 1990

Local Port Corporation

The Prince Rupert Port Corporation was established effective June 1, 1984 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

On June 1, 1984, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation.

1. Significant Accounting Policies

(a) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(b) Property and equipment
Property and equipment are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment.

Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	5 %
Berthing structures	2.5 – 10 %
Buildings	5 – 10 %
Roads and surfaces	3.3 – 10 %
Utilities	5 – 10 %
Machinery and equipment	5 – 100 %
Office furniture and equipment	20 – 33.3 %

(c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) Employee benefits
The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

2. Investments

	1990	1989
Amortized cost	$ 5,337,094	$ 1,793,604
Market value	$ 5,277,293	$ 1,791,970

3. Property and Equipment

	Cost	Accumulated Depreciation	1990 Net	1989 Net
Land	$ 64,099,197	$ –	$ 64,099,197	$60,498,881
Dredging	306,049	9,528	296,521	3,624
Berthing structures	36,177,563	4,178,592	31,998,971	5,433,237
Buildings	3,055,486	692,957	2,362,529	1,948,769
Roads and surfaces	6,666,444	2,815,843	3,850,601	1,163,300
Utilities	2,985,663	1,948,593	1,037,070	1,201,014
Machinery and equipment	1,608,703	1,376,581	232,122	343,627
Office furniture and equipment	349,108	201,526	147,582	127,375
Construction in progress	–	–	–	27,054,519
	$115,248,213	$ 11,223,620	$104,024,593	$97,774,346

4. Recoverable Contribution from Canada

A recoverable contribution of $50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island. The recoverable contribution as at December 31, 1990 is $48,300,000.

The total recoverable contribution was interest-free until April 1, 1989, thereafter it bears interest of approximately 13.9%.

Principal and interest on $48,300,000 of the contribution are repayable in annual instalments over a 20 year period, commencing April 1, 1989 contingent upon the revenues received from a direct coal throughput surcharge of $ .463 per tonne for 1990, (escalating with the rate of increase in the Consumer Price Index) at a minimum throughput of 6,600,000 tonnes but not to exceed 12,000,000 tonnes per year. On April 1, 2009, it is anticipated that the unpaid balance of the contribution, if any, will be forgiven by the Government of Canada.

As the Corporation acts as an intermediary between Ridley Terminals Inc. and the Government of Canada, the surcharge revenues and interest payments are not reflected in the Corporation's statement of income. Rather, they are reflected on the balance sheet as payable to Canada.

As at December 31, 1990, the Corporation has received/receivable approximately $2,175,000 (1989, $1,900,000) in connection with the above surcharge which is included in payable to Canada.

5. Loans from Canada

	1990	1989
Interest-bearing loans at 9.80% to 10.40% repayable in blended annual instalments, maturing in 2010	$17,179,871	$ 4,500,000
Less portion included in current liabilities	300,873	80,129
	$16,878,998	$ 4,419,871

Principal repayment requirements over the next five years are as follows:	
1991	$ 301,000
1992	332,000
1993	366,000
1994	403,000
1995	444,000
	$ 1,846,000

6. Commitments

(a) During the year the Corporation entered into an agreement with Canadian National Railway Company (CNR), whereby CNR sold to the Corporation 2.8 hectares of land in exchange for 0.913 hectares of land and $625,000.

The Corporation recorded the land acquired at the carrying value of the land sold and $625,000.

At year end, the Corporation had acquired title to the former CNR property but title had not yet transferred on the land sold from the Corporation to CNR.

(b) The Corporation rents a building under a long-term operating lease which expires May 1, 1991. The aggregate rental payable to the expiry date amounts to $90,088.

7. Related Party Transactions

(a) During the year, the Corporation received revenue of $1,654,584 (1989, $1,489,644) from Ridley Terminals Inc., a company in which Canada Ports Corporation has a significant investment. At December 31, 1990, the Corporation was owed $741,675 by Ridley Terminals Inc. (1989, $495,561).

(b) During the year the Corporation paid $534,884 (1989, $463,961) to Canada Ports Corporation as its share of that Corporation's head office expense.

Board of Directors

Donald H. Seidel *
Chairman
Business Manager
Prince Rupert, B.C.

Dolores D. MacIntosh *
Vice-Chairman
Property Manager
Prince Rupert, B.C.

John T. Payne */**
General Manager
Universal Stores Inc
Prince Rupert, B.C.

John D. McNish **
Manager
Credit Bureau of Prince Rupert
Prince Rupert, B.C.

William B. Hick
Physician (Retired)
Prince Rupert, B.C.

Ronald A. Ciccone **
Agent
Mutual Life of Canada
Prince Rupert, B.C.

Donald Brown
Lawyer
Terrace, B.C.

* Executive Committee
** Audit Committee

Officers of the Corporation

Donald H. Seidel
Chairman

Terrence R. Andrew, P. Eng.
General Manager and Chief Executive Officer

Don H. Krusel
Manager, Finance and Administration

Joseph A. Stranan
Manager, Marketing and Planning

J. Gordon Houston
Manager, Operations/Harbour Master

David Shearer
Manager, Engineering and Mainterance

Heather McLean
Corporate Secretary

Port of Quebec Corporation

Joint Message from the Chairman of the Board and the President and Chief Executive Officer

Guy Boulanger f.c.a.

Ross Gaudreault

The Port of Québec Corporation is pleased to present its annual report for 1990. The port administration's principal objective for the year was the strategic development of its deep-water competitive advantage through investments in the improvement of handling equipment and a sustained marketing campaign. The Port of Québec is now in an excellent position to benefit from the impending economic recovery.

With regard to total tonnage, the port shipments of petroleum products and grain increased in 1990, reducing the impact of a decline in the transportation of iron ore and general cargo. Overall volume surpassed the 17.3 million tonne mark, representing an increase of 10.5 percent compared to the 15.7 million tonnes of cargo handled in 1989.

After two very difficult years for grain traffic on the St. Lawrence, 1990 was characterized by an upturn in this trade. Grain shipments at the Port of Québec amounted to 4.2 million tonnes, compared to 2.8 million tonnes in 1989.

Activity at the Ultramar pier intensified, following investments by that company to increase refining capacity at its Saint-Romuald plant from 100,000 to 120,000 barrels of crude oil per day. For port facilities as a whole, the handling of petroleum products increased 28 percent to 9.4 million tonnes, compared to 7.3 million tonnes the preceeding year.

An unfavourable economic situation caused a significant decline in the transshipment of extracts, including iron ore. The total volume of extracts, such as iron, copper, zinc and nickel, dropped from 3.6 million in 1989 to 2.3 million tonnes in 1990. The general cargo sector also suffered from the effects of recession; the export of newsprint, in particular, decreased to 152,000 tonnes, compared to 184,000 tonnes in 1989.

On a positive note, 1990 was a record year for cruise vessels, with 81 calls for a total of 35,000 passengers.

A Promising Future

In order to take full advantage of its deep-water facilities at Beauport, the Port of Québec has invested $15 million to reorganize the sector and to increase the productivity of its bulk transshipment terminal.

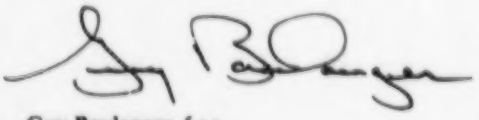
At the design level, the project is based on the principle used by self-unloading ships; ocean-going vessels will be unloaded at a speed independent of onshore equipment, thus allowing for a reduction of time in port. Direct ship-to-ship cargo transfer will also be possible after the opening of the new terminal in the spring of 1991. The investment will reduce dust emissions on the site by 50 percent.

The grain terminal, managed by Bunge of Canada, is one of the most efficient export centres in North America. Québec is in a good position to contribute to the growth of Canadian grain exports, in particular to the countries of eastern Europe. The future looks promising for the Port of Québec in its position as a leading bulk transshipment port on the St. Lawrence.

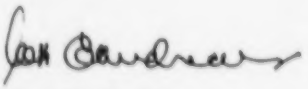
In addition, the port is continuing its efforts to establish a container terminal at Québec. The construction of deep-draft container vessels will be of benefit to this project in the coming years.

We are pleased to announce to our shareholder that the necessary monitoring measures have been taken in order to meet the objectives of the Corporation and to safeguard its assets. A major preventive maintenance program was introduced for all port facilities during 1990.

In summary, we wish to applaud the outstanding efforts of Corporation employees and companies working with the Port of Québec. Thanks to their support, the Port of Québec will continue to progress during the 1990s.



Guy Boulanger, f.c.a.
Chairman of the Board



Ross Gaudreault
President and Chief Executive Officer

Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Port of Québec Corporation as at December 31, 1990 and the statements of income, contributed capital, surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and with the charter and by-laws of the Corporation.

Peat Marwick Thorne

Chartered Accountants

Québec, Quebec
February 8, 1991

Balance Sheet as at December 31

Assets	1990	1989
Current Assets		
Cash	$ 806,291	$ 403,424
Investments (note 1)	1,909,823	21,464,555
Accounts receivable	2,505,927	1,875,204
Materials and supplies	153,864	142,038
	5,375,905	23,885,221
Investments (note 1)	6,729,236	6,702,891
Fixed assets (note 2)	55,701,730	41,490,002
	$ 67,806,871	$ 72,078,114
Liabilities and Equity of Canada		
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,530,662	$ 1,749,375
Contribution payable to Canada	5,665,000	–
Grants in lieu of municipal taxes	185,654	664,000
Deferred revenues	850,172	817,416
	10,231,488	3,230,791
Long-Term		
Accrued employee benefits	971,700	890,000
Equity of Canada		
Contributed capital	51,852,198	63,182,198
Surplus	4,751,485	4,775,125
	56,603,683	67,957,323
	$ 67,806,871	$ 72,078,114

Contingencies (note 5)
Commitments (note 6)

On behalf of the Board:

Guy Boulanger, f.c.a.
Chairman

Ross Gaudreault
President and Chief Executive Officer

Statement of Income

year ended December 31	1990	1989
Revenue from operations	$11,460,609	$11,313,942
Expenses		
Operating and administrative	10,692,721	9,713,793
Depreciation	2,173,736	2,055,558
Grants in lieu of municipal taxes	865,496	1,149,559
	13,731,953	12,918,910
Loss from operations	(2,271,344)	(1,604,968)
Investment income	2,169,951	2,899,549
Net income (loss) before unusual items	(101,393)	1,294,581
Gain in settlement of grants in lieu of municipal taxes	157,211	-
Gain in settlement of past litigations	-	381,052
	157,211	381,052
Net Income	$ 55,818	$ 1,675,633

Statement of Contributed Capital

year ended December 31	1990	1989
Balance at beginning of year	$63,182,198	$63,182,198
Contribution to Canada	(11,330,000)	-
Balance at end of year	$51,852,198	$63,182,198

Statement of Surplus

year ended December 31	1990	1989
Surplus at beginning of year	$ 4,775,125	$ 3,179,492
Net income	55,818	1,675,633
Dividend to Canada	(79,458)	(80,000)
Surplus at end of year	$ 4,751,485	$ 4,775,125

Statement of Changes in Financial Position

year ended December 31	1990	1989
Cash provided by (used for):		
Operations		
Net income	$ 55,818	$ 1,675,633
Items not affecting cash		
Amortization of discount on Canada Government bonds	(26,345)	(26,345)
Depreciation	2,173,736	2,055,558
Loss (gain) on disposal of fixed assets	(36,443)	55,075
Accrued employee benefits	81,700	79,800
	2,248,466	3,839,721
Changes in non-cash operating working capital (note 3)	6,358,148	851,649
	8,606,614	4,691,370
Investment		
Additions to fixed assets	(16,414,650)	(1,308,195)
Proceeds from disposal of fixed assets	65,629	45,546
	(16,349,021)	(1,262,649)
Financing		
Contribution to Canada	(11,330,000)	-
Dividend to Canada	(79,458)	(80,000)
	(11,409,458)	(80,000)
Increase (decrease) in cash position	(19,151,865)	3,348,721
Cash position at beginning of year	21,867,979	18,519,258
Cash position at end of year	$ 2,716,114	$21,867,979
Cash position is represented by:		
Cash	$ 806,291	$ 403,424
Investments	1,909,823	21,464,555
	$ 2,716,114	$21,867,979

Notes to Financial Statements

year ended December 31, 1990

General

The Port of Québec Corporation was incorporated on June 1, 1984, under section 6.2(1) of the *Canada Ports Corporation Act*.

The Corporation is exempt from income tax.

Summary of Significant Accounting Policies

(a) Investments
Investments are direct securities guaranteed by Canada. They are presented at amortized cost and the premiums or discounts are amortized over the periods to maturity.

(b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis commencing with the year the asset becomes operational, using the following annual rates:

Dredging	2.5 – 6.7 %
Berthing structures	2.5 – 10 %
Buildings	2.5 – 10 %
Utilities	3.3 – 10 %
Roads and surfaces	2.5 – 10 %
Machinery and equipment	5 – 20 %
Office furniture and equipment	20 %

(c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Insurance
The Port of Québec Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from these claims are recorded in the accounts in the year, based on the invoices received or to be received from Labour Canada for the year.

(e) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(f) Employee benefits
The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with its policy.

1. Investments

Investments, which are direct securities guaranteed by Canada, are as follows:

	1990		1989	
	Cost	Market Value	Cost	Market Value
Current	$ 1,909,823	$ 1,909,588	$ 21,464,555	$ 21,411,038
Long-term	$ 6,729,236	$ 7,176,618	$ 6,702,891	$ 7,520,074

2. Fixed Assets

			1990	1989
	Cost	Accumulated Depreciation	Net	Net
Land	$ 11,098,253	$ –	$ 11,098,253	$ 11,098,253
Dredging	4,561,341	4,007,429	553,912	581,972
Berthing structures	23,167,788	17,494,638	5,673,150	5,800,251
Buildings	33,782,474	16,130,160	17,652,314	18,350,800
Utilities	3,839,101	2,404,838	1,434,263	1,431,895
Roads and surfaces	6,046,395	4,227,977	1,818,418	2,003,653
Machinery and equipment	794,948	357,628	437,320	222,344
Office furniture and equipment	1,713,401	783,088	930,313	346,757
Projects under construction	16,103,787	–	16,103,787	1,654,077
	$101,107,488	$ 45,405,758	$ 55,701,730	$ 41,490,002

3. Changes in Non-Cash Operating Working Capital

	1990	1989
Accounts receivable	$ (630,723)	$ 780,369
Materials and supplies	(11,826)	(10,182)
Accounts payable and accrued liabilities	1,781,287	(206,576)
Contribution payable to Canada	5,665,000	-
Grants in lieu of municipal taxes	(478,346)	265,800
Deferred revenues	32,756	22,238
	$ 6,358,148	$ 851,649

4. Related Party Transactions

During the year, the Corporation entered into transactions with related entities including various departments, government organizations and Crown corporations.

Principally, the Corporation earned rental revenues of $878,000 in 1990 from related entities ($577,000 in 1989). The expenses paid to related parties mainly consist in reimbursements of $803,000 ($696,000 in 1989) to Canada Ports Corporation as its share of the Corporation's head office expenses. The Corporation has also earned investment income of $2,170,000 ($2,900,000 in 1989) on Government of Canada securities.

The Corporation has accounts payable of $281,000 ($99,000 in 1989) and accounts receivable of $64,000 ($271,000 in 1989) with the same related parties.

5. Contingencies

Claims aggregating approximately $1,000,000 have been received by the Corporation in respect to lawsuits and various other matters in dispute. In the Corporation's view, its position is defensible and the final outcome of such claims should not result in any material loss.

In addition, claims for an estimated amount of approximately $5,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

These amounts are not recorded in the financial statements.

6. Commitments

The Corporation has made commitments totalling approximately $1,300,000 of which $33,000 have been expensed as at December 31, 1990, pertaining to the restoration of the main cereal terminal in 1991. In addition, funds committed for fixed assets projects in 1990, but not yet disbursed, amounted to approximately $1,000,000 as at December 31,1990.

Board of Directors

Guy Boulanger, f.c.a. *
Chairman
Partner
Caron Bélanger Ernst & Young
Québec, Que.

Raymond Stuart McBain *
Vice-Chairman
President
Ver-Mac Inc.
Sainte-Foy, Que.

Denise Rancourt-Bélanger
Lawyer
Lévis, Que.

Yvon Dolbec
President
Dolbec Y. Logistique Int'l inc.
Sainte-Foy, Que.

Claude Gagné*
Sales Representative
Toshiba of Canada Ltd.
Varier, Que.

Roméo Savard
Foreman
International Longshoremen's Association
Québec, Que.

André Sarasin
Senior Vice-President
Engineering and Development
Les produits forestiers Daishowa
Québec, Que.

* Member of the Executive Committee

Officers of the Corporation

Guy Boulanger, f.c.a.
Chairman

Ross Gaudreault
President and Chief Executive Officer

Louis-Philippe Cormier
Director, Administration

Mario Bernard
Director, Finance

Yvon Bureau
Director, Operations

Marc Dulude
Director, Marketing

Raymond Leclerc
Director, Engineering and Maintenance

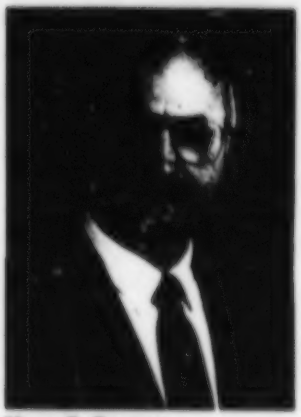
André Boulet
Director, Police

Dave Johanson
Director, Promotion

Gary Q. Ouellet, c.r.
Corporate Secretary

Saint John Port Corporation

Joint Message from the Chairman of the Board and the General Manager and Chief Executive Officer



Harry P. Gaunce

Kenneth R. Krauter

The Saint John Port Corporation is pleased to submit its annual report on the accomplishments of 1990. The Corporation continued progress on strengthening the position of the Port of Saint John as a major transportation centre. Financial self-sufficiency was maintained and increased expenditures were made in redeveloping the port's cargo handling facilities. Concerted marketing efforts are bringing results in developing new business opportunities, and partnership relationships with key organizations in the port and the community are contributing to improved performance.

Revenue from port operations increased to a record level of $11.8 million. Operating expenses increased predominantly due to greater expenditures on improvements and maintenance of the port facilities and the write-off of outmoded facilities. The Corporation is again able to report a positive income from operations as well as a positive net income for the year. The Government of Canada has provided some measure of financial relief to the Corporation through the provision of an interest holiday on a portion of our federal debt. This action is a significant measure in contributing to the financial health of the Corporation, as well as assisting the port in continuing its cargo facilities redevelopment program.

Almost 15 million tonnes of cargo moved through the port which was a modest increase over 1989 traffic levels. Notable changes in the traffic mix included a 12 percent increase in potash shipments to 1.5 million tonnes. Forest products traffic declined by 10 percent to 740,000 tonnes principally due to softening of international markets. Three shipping lines selected Saint John as a port-of-call thereby increasing shipping services from the port to Africa and to the Caribbean. Increasing calls by cruise lines are making an important contribution to the local tourism industry.

Expenditures on capital and maintenance projects exceeded $3.2 million. Projects such as repairs to berth faces, painting of sheds, paving of open areas, and demolition of outmoded facilities contribute to providing better quality cargo-handling facilities for port customers.

In accordance with our statutory obligation, we are pleased to inform the Board of Directors and the shareholder that the Corporation made measurable progress in achieving its objectives. We can give assurances that necessary measures are in place to ensure the safeguard of the Corporation's assets. A Special Examination Audit was undertaken in 1990 in accordance with the *Financial Administration Act*, and we are pleased to report that the Corporation received an unqualified opinion on economy, efficiency and effectiveness.

Effective consultation with many stakeholders in the port is important to the achievement of compatible growth and development. The Corporation has expanded its commitment to consultation and teamwork. A committee with representation from the Maritime Employers Association, the International Longshoremen's Association, the Waterfront Council and the Corporation, has been formed to provide a forum for the discussion of current port operations and business development opportunities. In addition, the City of Saint John and the Corporation have formed a committee to coordinate planning in areas of mutual interest. The environmental consequences of port activities and cargo-handling operations are now being actively considered by an Environmental Consultation Committee which includes representation from the federal, provincial and municipal governments.

The accomplishments of the Corporation during the past year were made possible by the commitment and dedication of the Corporation's employees and by all those people who work in the Port of Saint John. It is through their contribution that we are able to report on the progress which is outlined in this report. To our many customers, particularly shippers and shipping lines, we are most appreciative of your continued support and share with all members of the port community our desire to serve you well in the coming year. The continued support of the City of Saint John and the Province of New Brunswick is appreciated.

We look forward to the challenges of the coming year and the opportunity to report on further progress of the Saint John Port Corporation.

Harry P. Gaunce
Chairman of the Board

Kenneth R. Krauter
General Manager and Chief Executive Officer

Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.
Minister of Transport

We have audited the balance sheet of the Saint John Port Corporation as at December 31, 1990 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Ernst & Young

Chartered Accountants

Saint John, New Brunswick
February 8, 1991

Balance Sheet as at December 31, 1990

(in thousands of dollars)

Assets	1990	1989
Current		
Cash	$ –	$ 7
Investments (note 3)	13,386	11,419
Accounts receivable	1,182	1,327
Materials and supplies	28	45
	14,596	12,798
Long-term		
Long-term investments (note 3)	962	959
Fixed assets (note 4)	76,503	78,317
	77,465	79,276
Total assets	$ 92,061	$ 92,074
Liabilities and Equity of Canada		
Current		
Bank indebtedness	$ 50	$ –
Accounts payable and accrued charges	1,760	1,110
Deferred revenues	521	378
Grants in lieu of municipal taxes	40	84
Due to Canada (note 5)	2,455	–
Current portion of deferred interest contribution	623	–
	5,449	1,572
Long-term		
Loans from Canada (note 6)	20,052	20,052
Financing provided by a province (note 7)	19,696	19,696
Accrued employee benefits	481	425
Deferred interest contribution (note 8)	708	–
	40,937	40,173
	46,386	41,745
Equity of Canada		
Contributed capital (note 5)	44,462	49,372
Retained earnings	1,213	957
	45,675	50,329
Total liabilities and equity of Canada	$ 92,061	$ 92,074

On behalf of the Board:

Harry P. Gaunce
Chairman

K. R. Krauter

Kenneth R. Krauter
General Manager and Chief Executive Officer

Statement of Income and Retained Earnings

(in thousands of dollars)

year ended December 31, 1990	1990	1989
Revenues from operations	$ 11,882	$ 11,477
Expenses		
Operating and administrative	7,787	6,841
Grants in lieu of municipal taxes	587	754
Depreciation	2,385	2,696
Loss on disposal of fixed assets	745	98
	11,704	10,389
Income from operations	178	1,088
Investment income	1,668	1,501
Interest expense (note 8)	(1,590)	(2,363)
Net income	256	226
Retained earnings, beginning of year	957	731
Retained earnings, end of year	$ 1,213	$ 957

Statement of Cash Flows

(in thousands of dollars)

year ended December 31, 1990	1990	1989
Cash provided by (used in)		
Operations		
Net income	$ 256	$ 226
Add items not requiring a cash payment		
Depreciation	2,585	2,696
Loss on disposal of fixed assets	745	98
Other	53	25
	3,639	3,045
Net change in non-cash working capital balances (note 9)	911	486
	4,550	3,531
Financing		
Contribution to Canada	(4,910)	-
Due to Canada	2,455	-
Deferred interest contribution	1,331	-
	(1,124)	-
Investing		
Additions to fixed assets	(1,550)	(1,152)
Proceeds on disposal of fixed assets	34	-
	(1,516)	(1,152)
Increase in cash	1,910	2,379
Cash position, beginning of year	11,426	9,047
Cash position, end of year	$ 13,336	$ 11,426

Cash position consists of cash, short-term investments and bank indebtedness.

Notes to Financial Statements

year ended December 31, 1990

1. Canada Ports Corporation Act and Incorporation

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was incorporated under the laws of Canada effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation - Port of Saint John.

2. Significant Accounting Policies

(a) Investments
The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

(b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational using rates as follows:

Assets	Depreciation Rates (%)
Dredging	2.5 - 6.7 %
Berthing structures	2.5 - 10.0 %
Buildings	2.5 - 10.0 %
Utilities	3.3 - 10.0 %
Roads and surfaces	2.5 - 10.0 %
Machinery and equipment	5.0 - 100.0 %
Office furniture and equipment	20.0 %

(c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. Investments

Investments are direct and guaranteed securities of Canada as follows:

(in thousands of dollars)

	1990		1989	
	Amortized Cost	Face Value	Amortized Cost	Face Value
Canada Treasury Bills	$ 13,386	$ 14,009	$ 11,419	$ 12,013
Canada Bonds	$ 962	$ 1,000	$ 959	$ 1,000

4. Fixed Assets

(in thousands of dollars)

	Cost	Accumulated Depreciation	1990 Net Book Value	1989 Net Book Value
Land	$ 30,426	$ –	$ 30,426	$ 30,426
Dredging	1,967	1,516	451	469
Berthing structures	63,803	30,496	33,307	34,575
Buildings	13,897	7,712	6,185	7,106
Utilities	7,733	4,013	3,720	4,028
Roads and surfaces	5,345	4,528	817	1,035
Machinery and equipment	1,796	1,607	189	170
Office furniture and equipment	1,222	940	282	352
Work under construction	1,126	–	1,126	156
	$ 127,315	$ 50,812	$ 76,503	$ 78,317

5. Contributed Capital

(in thousands of dollars)

	1990	1989
Contributed capital, beginning of year	$ 49,372	$ 49,372
Contribution to Canada	(4,910)	–
Contributed capital, end of year	$ 44,462	$ 49,372

During the year the Federal Government required payment of $4.91 million from the Corporation as a contribution toward the Federal Government deficit reduction.

At December 31, 1990 $2.455 million was outstanding, and was paid in early 1991.

6. Loans from Canada

(in thousands of dollars)

	1990	1989
Term loans bearing interest at 11.0% to 12.43% maturing between December 31, 1998 and 2005	$ 20,052	$ 20,052

7. Financing Provided by a Province

The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal Complex, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1990 has been calculated accordingly. The Province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, the current portion payable would be approximately $1,109,000.

8. Deferred Interest Contribution

During the year the Federal Government advanced the Corporation $2,000,000 to offset interest payments in 1990, 1991 and 1992 on the $6,665,000 debt owed to the Federal Government with respect to Rodney Terminal.

The original amount of the advance plus the interest earned will be available to fund interest payments required over the three year period. The anticipated interest payments will be $2,485,500. The defined interest credits will be absorbed on a straight line basis over the period. The funds on hand at December 31, 1990, $1,331,000, are available to reduce interest expense in 1991 and 1992. Interest expense for 1990 was reduced by approximately $773,000 as a result of the application of the deferred credit.

9. Net Change in Non-Cash Working Capital Balances

(in thousands of dollars)

	1990	1989
Decrease (increase) in current assets		
Accounts receivable	$ 145	$ 185
Materials and supplies	17	1
	162	186
Increase (decrease) in current liabilities		
Accounts payable and accrued charges	650	220
Deferred revenues	143	99
Grants in lieu of municipal taxes	(44)	(19)
	749	300
	$ 911	$ 486

10. Related Party Transactions

During the year the Corporation paid $803,000 (1989 - $696,000) to Canada Ports Corporation as its share of that Corporation's head office expense.

11. Comparitive Figures

Certain of the 1989 figures have been reclassified to conform with the statement presentation adopted for the current year

Board of Directors

Harry P. Gaunce *
Chairman
President
Armstrong & Bruce Insurance Limited
Saint John, N.B.

Henry Meinhardt */**
Vice-Chairman
President
Fundy Ventilation Ltd.
Saint John, N.B.

Edgar R. Cohen ***
Owner
Hoffman's Limited
Saint John, N.B.

Fernand Lanteigne ***
Owner/General Manager
Les Chantiers Nord-Est Ltee
Société du cable de la Péninsule
Caraquet, N.B.

David R. MacPherson **
President and Business Manager
IBEW, Local 502
Saint John, N.B.

Shirley A. McAlary */**
Agent
Air Canada
Saint John, N.B.

Robert M. Scott ***
Owner
R. M. Scott Insurance Agency Ltd.
Saint John, N.B.

* Executive Committee
** Human Resources and Compensation Committee
*** Audit Committee

Officers of the Corporation

Harry P. Gaunce
Chairman

Henry Meinhardt
Vice-Chairman

Kenneth R. Krauter
General Manager and Chief Executive Officer

R. Adam McBride
Assistant General Manager

Peter D. Clark
Director, Marketing

Ardith L. Bartlett
Corporate Secretary

St. John's Port Corporation

Joint Message from the Chairman of the Board and the Port Manager and Chief Executive Officer

Fred M. Milley

David J. Fox, P.Eng

The year 1990 was a busy one for the St. John's Port Corporation. The Container Terminal Expansion Program outlined in our 1989 report was completed and, as of August 7 and November 1, 1990, the additional properties were under lease to the terminal operator — Newterm Limited.

Total vessel arrivals for the year decreased by 6 percent, but tonnage through the port at 1.04 million tonnes was an increase of 7 percent over 1989. Container tonnage at the terminal increased by 2.2 percent. Since 1986, container tonnage has increased by 60 percent and this justifies the investment and expansion program at the terminal.

Net income of $738,000 was in excess of the port's budget and exceeded 1989 results by 70 percent.

Small vessel activity — up to 65 feet (l.o.a), showed a large increase in 1990 with these fishermen operating out of the port. Over 200 such vessels landed some 60 million pounds of fish at the Marginal Wharf. This was a welcome activity which contributed to our positive financial results.

In accordance with the port's statutory obligation, we are pleased to inform the Board of Directors, and the shareholder, that all necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets and to achieve our corporate objectives.

Planned capital improvements in 1991 include structural improvements at Pier 17, at an estimated cost of $1 million. This facility was constructed by the United States military in the early 1940s and major improvements are now required to concrete beams, deck and steel pile caissons in order to extend its useful life requirement for continued port operations.

Newterm Limited, the Container Terminal Operator, requires a new building complex for equipment maintenance and we are endeavouring to meet this requirement. This is contingent upon the Corporation acquiring from Transport Canada additional land west of the Main Terminal within the former railway properties. Discussions with Transport Canada are ongoing regarding the acquisition of additional property under their jurisdiction for this requirement. Preliminary cost estimates for this proposed maintenance garage development project is $1.7 million. Newterm Limited has also indicated that if a new maintenance building complex is constructed, consideration will then be given to including a container repair depot in order to facilitate repairs to some of the 90,000 TEUs passing through this container complex from time-to-time.

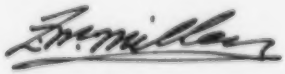
The economic outlook for the province is more optimistic than last year due to the agreement for the development of the Hibernia offshore oil field. Nevertheless, serious economic problems still exist as a result of continuing problems in the fishing industry. High unemployment is expected to continue with the announcement of restraint and cutbacks by the provincial government. The impact of the Hibernia development is expected to show a greater impact by 1992 and estimates indicate a growth of 3.5 percent in that year.

In spite of present day problems, the Corporation expects to achieve the growth forecast in the five-year plan. Present indications are that offshore exploration will possibly start up again later this year but, if not, then certainly in early 1992. We expect the offshore oil supply vessel activity to once again operate out of St. John's creating increased port servicing activity.

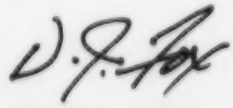
As the plan for offshore petroleum production develops, we will be very active promoting the port as the supply centre for all such ongoing activities. The original industrial production study indicated that St. John's Harbour would be the supply base and, in this event, it may be necessary to update the planned expansion which we anticipate will be required within the Pier 17 area. We are very optimistic that St. John's will be the base of operations and, if this proves to be the case, activity in the port will certainly show a considerable increase.

Many challenges lie ahead but, with the continued dedication of our employees and the support of the port community, the port feels that positive and satisfying results will be the outcome of meeting these challenges.

The Board wishes therefore to thank all staff members for the contribution made to the Corporation and, with the continued team approach that was very evident throughout the year, the Board is confident it will be able to meet the objectives presented to the shareholder.



Fred M. Milley
Chairman of the Board



David J. Fox, P.Eng
Port Manager and Chief Executive Officer

Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.
Minister of Transport

We have audited the balance sheet of the St. John's Port Corporation as at December 31, 1990, and the statements of income and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Chartered Accountants

St. John's, Newfoundland
February 6, 1991

Balance Sheet as at December 31, 1990

Assets	1990	1989
Current		
Cash	$ 29,289	$ 1,634
Investments (Note 3)	2,495,892	1,311,118
Accounts receivable	528,987	370,777
Due from Canada	66,000	75,095
	3,120,168	1,758,824
Fixed (Note 4)	14,134,876	14,784,522
	$ 17,255,044	$ 16,543,346
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 377,493	$ 250,346
Grants in lieu of municipal taxes	47,104	46,375
Deferred revenues	337,911	301,238
Current portion of loans from Canada	241,331	220,036
	1,003,839	817,995
Accrued employee benefits	121,160	91,491
Loans from Canada (Note 5)	2,670,795	2,912,126
	3,795,794	3,821,612
Equity of Canada		
Contributed capital	10,131,636	10,131,636
Surplus	3,327,614	2,590,098
	13,459,250	12,721,734
	$ 17,255,044	$ 16,543,346

Contingencies (Note 6)

On behalf of the Board:

Fred M. Milley
Chairman

David J. Fox, P.Eng
Port Manager and Chief Executive Officer

Statement of Income and Surplus

year ended December 31, 1990	1990	1989
Revenue from operations	$ 3,351,142	$ 3,026,807
Operating and administrative expenses	1,619,361	1,637,620
Depreciation	889,114	781,964
Grants in lieu of municipal taxes	53,662	39,124
	2,562,137	2,458,708
Income from operations	789,005	568,099
Investment income	249,991	182,182
Interest expense	(301,480)	(320,894)
Net income	737,516	429,387
Surplus, beginning of year	2,590,098	2,160,711
Surplus, end of year	$ 3,327,614	$ 2,590,098

Statement of Changes in Financial Position

year ended December 31, 1990	1990	1989
Cash provided from (used for):		
Operating activities		
Net income	$ 737,516	$ 429,387
Depreciation	889,114	781,964
Other non-cash items	29,669	(15,833)
	1,656,299	1,195,518
Changes in		
Accounts receivable	(158,210)	(9,593)
Due from Canada	9,095	(75,095)
Accounts payable and accrued liabilities	127,147	(526,343)
Grants in lieu of municipal taxes	729	(46,800)
Deferred revenues	36,673	22,542
Current portion of loans from Canada	21,295	19,414
	1,693,028	579,643
Financing activities		
Capital grants	1,324,905	2,075,095
Loans from Canada	(241,331)	(220,036)
	1,083,574	1,855,059
Investing activities		
Proceeds on disposals of fixed assets	8,335	–
Purchase of fixed assets	(1,572,708)	(3,077,986)
	(1,564,373)	(3,077,986)
Net cash provided (used)	1,212,229	(643,284)
Cash and short term investments, beginning of year	1,312,952	1,956,236
Cash and short term investments, end of year	$ 2,525,181	$ 1,312,952

Notes to Financial Statements

year ended December 31, 1990

1.

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation - Port of St. John's to the St. John's Port Corporation.

2. Significant Accounting Policies

(a) Investments
The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(b) Fixed assets
Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is recorded on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates indicated in Note 4.

(c) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

(d) Grants in lieu of municipal taxes
The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) Employee benefits
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

3. Investments

	1990		1989	
	Amortized Cost	Face Amount	Amortized Cost	Face Amount
Short term	$ 2,495,892	$ 2,532,400	$ 1,311,118	$ 1,324,100

4. Fixed Assets

	Depreciation Rates	Cost	Accumulated Depreciation	1990 Net Book Value	1989 Net Book Value
Land	–	$ 4,735,248	$ –	$ 4,735,248	$ 4,643,700
Berthing structures	2.5 – 10%	9,521,795	5,830,191	3,691,604	3,886,220
Buildings	2.5 – 10%	1,912,791	1,320,048	592,743	640,122
Utilities	3.3 – 10%	3,104,583	948,962	2,155,621	2,305,995
Roads and surfaces	2.5 – 10%	4,056,498	1,525,300	2,531,198	2,942,618
Machinery and equipment	5 – 100%	307,646	115,429	192,217	202,770
Office furniture and equipment	20%	224,567	156,066	68,501	60,175
Projects under construction	–	167,744	–	167,744	102,922
		$ 24,030,872	$ 9,895,996	$ 14,134,876	$ 14,784,522

5. Loans from Canada

	1990	1989
Term loans, bearing interest at 9.33% to 10.015%, maturing between 1997 and 2000, repayable in equal annual instalments of principal and interest of $521,516.	$ 2,912,126	$ 3,132,162
Principal instalments payable within one year	241,331	220,036
	$ 2,670,795	$ 2,912,126

The loans from Canada are unsecured.

Annual principal repayments in each of the next five years are as follows:
1991 — $241,331; 1992 — $264,689; 1993 — $290,309; 1994 — $318,412; 1995 — $349,238.

6. Contingent Liabilities

Claims aggregating approximately $364,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation.

The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

7. Related Party Transactions

During the year, the Corporation received advances on a capital grant from the federal government in the amount of $1,334,000. The remainining grant of $66,000 will be advanced to the Corporation in 1991.

During the year the Corporation paid $222,512 (1989 - $193,008) to Canada Ports Corporation as its share of that Corporation's head office expense.

Board of Directors

Fred M. Milley */**
Chairman
St. John's, Nfld.

Faith Good */**
Vice Chairman
St. John's, Nfld.

Tom Osborne ***
Owner
Tom Osborne Real Estate
St. John's, Nfld.

Paul Reynolds ***
Specialist-Business Development
Ultramar Canada Inc.
St. John's, Nfld.

Michael Walsh */**
General Chairman
Transportation Communication International Union (Retired)
St. John's, Nfld.

Thomas Doyle */**
Sales Associate
Royal LePage Real Estate Services Ltd.
St. John's, Nfld.

Arthur Puddister ***
Manager
Puddister Trading Company
St. John's, Nfld.

* Executive Committee
** Executive and Compensation Committee
*** Audit Committee

Officers of the Corporation

Fred M. Milley
Chairman

Faith Good
Vice-Chairman

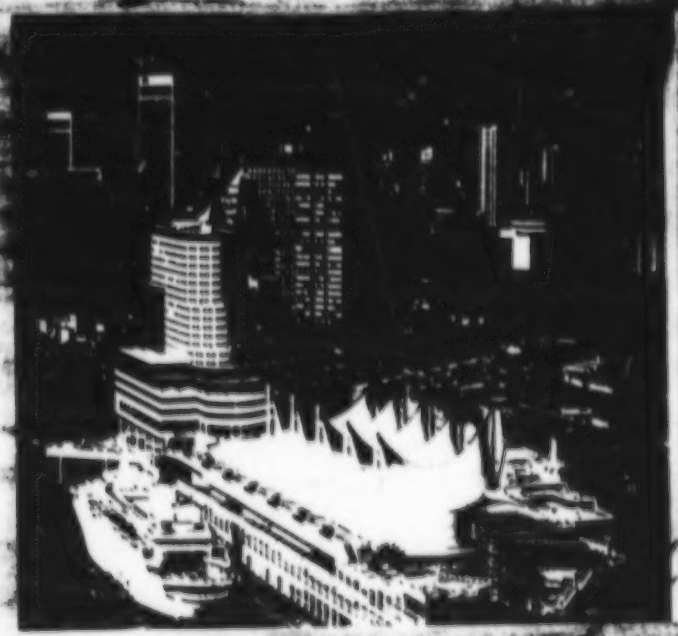
David J. Fox, P.Eng
Port Manager and Chief Executive Officer

Brian Scott
Manager, Finance and Administration

Captain Henry Flight
Harbour Master

Keith F. Rose
Corporate Secretary

Vancouver Port C...



Joint Message from the Chairman of the Board and the Port Manager and Chief Executive Officer

Captain Hector D. Perry

Captain Norman C. Stark

The beginning of the new decade marked the start of several important new initiatives for the Port of Vancouver. In addition to traditional import/export priorities — environmental issues, municipal relations and land management planning gained greater prominence in the business profile of the Vancouver Port Corporation (VPC).

To buttress VPC's position relative to competitive pressures, and such "new century" issues as the environment, urban encroachment and public process, the Corporation realigned its management structure into three divisions — operations, management services and business development.

Among the highlights for the Corporation in 1990 was the introduction of "PORT 2010" — VPC's long-range Land Use/Land Management Planning Program. Extensive all-sector consultation began, seeking input in such disciplines as cargo forecasts, capacity, environment and public process. It will culminate in a strategic and dynamic plan for the development of the Port of Vancouver into the 21st century.

VPC established Canada's first port environmental services office, which took on a number of projects — among them, ongoing cargo handling assessments and a detailed analysis of the risks associated with tanker and tanker-barge traffic in Burrard Inlet.

Improving relations between VPC and its neighbouring municipalities were evidenced by an agreement reached on a shared fire protection plan for Burrard Inlet — spearheaded by the VPC-chaired Port-Municipal Liaison Committee, which gained momentum and scope throughout the year.

On the cargo side, strong performances in all sectors pushed port tonnage to 66.4 million tonnes — its second highest total. Bulk products accounted for 86 percent of total throughput. Coal continued as the port's leading export, posting a 23.4 million tonne total, a slight decrease from 1989's record figure.

1990 grain tonnages rebounded from the previous year's drought-induced slump. Exports of Alberta sulphur regained momentum posting a 7 percent increase over 1989's downturn prompted by an international trading dispute. Saskatchewan potash shipments climbed 12 percent, but fell short of 1988's record throughput.

Forest products continued to dominate the general cargo picture which maintained a 10 percent share of total port tonnage. Lumber and pulp shipments held steady in the face of such factors as price fluctuation and slackening demand.

Buoyed by increased liner capacity and continuing strong demand for Canadian exports, container traffic climbed to a new high of 322,569 TEUs — an increase of 5.6 percent over 1989.

In the cruise sector, 1990 was a very exciting year for the Port of Vancouver. "CRUISE-A-THON" — a semi-annual cruise conference and trade show — was held in Vancouver, drawing travel industry representatives from across North America, and focusing unprecedented attention on Vancouver as a cruise port and vacation destination.

The port also enjoyed its eighth consecutive record cruise season, welcoming 228 sailings and 388,323 revenue passengers — 16 percent higher than the 1989 total.

The 1990 cargo and cruise statistics translated into a solid financial showing by the Corporation. Net income increased to $30 million from $28.4 million in 1989. Capital investments totalled $11 million and included the completion of a specialized warehouse doubling covered storage space at the Lynnterm forest products terminal and a variety of intermodal improvements to the Vanterm container terminal.

Leadership changes occurred at VPC during the latter part of 1990, with the November appointment of Captain Norman Stark as Port Manager and Chief Executive Officer — and in December, the naming of Patrick Reid as Chairman of the Board. Thanks and recognition from all sectors of the marine industry were accorded Francis MacNaughton on his retirement as Port Manager and Captain Hector Perry on the completion of his term as Chairman.

Each year, the business of Canada's largest port grows more complex. As "new century" realities unfold, VPC's skilled and innovative staff stand ready to get the job done for all Canadians.

Captain Hector D. Perry
Chairman of the Board

Captain Norman C. Stark
Port Manager and Chief Executive Officer

Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Vancouver Port Corporation as at December 31, 1990 and the statements of income and retained earnings and changes in cash resources for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations and the charter and by-laws of the Corporation.

Peat Marwick Thorne

Chartered Accountants

Vancouver, British Columbia
January 30, 1991

Balance Sheet as at December 31, 1990

(in thousands of dollars)

Assets	1990	1989
Current Assets		
Cash	$ 529	$ 272
Investments (note 1)	89,123	89,796
Accounts receivable	9,387	6,894
Materials and supplies	364	417
	99,403	97,379
Long-term receivables (note 2)	6,264	6,702
Property and equipment (note 3)	202,214	199,283
	$ 307,881	$ 303,364
Liabilities and Equity of Canada		
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,639	$ 4,533
Special payment to Canada (note 6)	17,865	–
Grants in lieu of municipal taxes	4,631	3,823
Deferred revenues	2,890	2,403
	29,025	10,759
Accrued employee benefits	1,427	1,271
Loan from Canada (note 4)	3,256	3,504
	33,708	15,534
Equity of Canada		
Contributed capital	88,273	88,273
Retained earnings (note 6)	185,900	199,557
	274,173	287,830
	$ 307,881	$ 303,364

Contingencies (note 5)

On behalf of the Board:

Patrick Reid, O.C.
Chairman

Colin B. Warner, C.A.
Director

Statement of Income and Retained Earnings

(in thousands of dollars)

year ended December 31, 1990	1990	1989
Operating revenue	$ 57,904	$ 52,390
Expenses		
Operating and administrative expenses	24,231	20,823
Grants in lieu of municipal taxes	5,926	5,461
Depreciation	7,864	7,273
	38,021	33,557
Income from operations	19,883	18,833
Investment income	10,644	9,820
Interest expense	(297)	(296)
	10,347	9,524
Net income	30,230	28,357
Retained earnings, beginning of year	199,357	179,275
	229,787	207,632
Special payment to Canada (note 6)	(35,730)	–
Dividend payment to Canada	(8,157)	(8,075)
Retained earnings, end of year	$ 185,900	$ 199,557

Statement of Changes in Cash Resources

(in thousands of dollars)

year ended December 31, 1990	1990	1989
Cash provided by (used for):		
Operations		
Net income	$ 30,230	$ 28,357
Items not involving cash		
Depreciation	7,864	7,273
Other	328	730
Changes in non-cash operating working capital	15,826	(6,784)
	54,248	29,576
Financing		
Loan from Canada currently payable	(248)	(230)
Dividend payment to Canada	(8,157)	(8,075)
Special payment to Canada	(35,730)	–
	(44,135)	(8,305)
Investments		
Additions to property and equipment	(11,021)	(19,704)
Other	492	434
	(10,529)	(19,270)
Increase (decrease) in cash resources	(416)	2,001
Cash resources, beginning of year	90,068	88,067
Cash resources, end of year	$ 89,652	$ 90,068

Cash resources are defined to include cash and investments.

The Vancouver Port Corporation was established effective July 1, 1983 as a local port corporation pursuant to the *Canada Ports Corporation Act* and is a parent Crown corporation named in Schedule III, Part II of the *Financial Administration Act*. The Corporation is exempt from income taxes.

The Corporation's mission is to facilitate the efficient movement of maritime imports and exports through the Port of Vancouver in the best interest of Canadians.

Summary of Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

(a) Property and equipment
Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	5 years

(b) Pension costs
All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Corporation. Although the Plan is a defined benefit plan, the contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis.

(c) Grants in lieu of municipal taxes
Grants in lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

(d) Employee benefits
The Corporation accrues estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

1. Investments

Current investments are in Government of Canada treasury bills and at December 31, 1990 and 1989 the market value of the treasury bills approximated carrying value.

2. Long-term Receivables

(in thousands of dollars)

	1990	1989
Non-interest-bearing agreement with B.C. Rail, due as and when rail trackage is constructed on Roberts Bank causeway or April 1, 1994, whichever is earlier	$ 3,947	$ 3,947
Long-term agreement for sale of No. 1 Elevator, bearing interest at 6-5/8% per annum, payable in blended annual instalments of $462,916, maturing December 31, 1996	2,232	2,528
Less current portion	(315)	(296)
	1,917	2,232
Long-term agreement for sale of No. 3 Elevator, bearing interest at 5-3/4% per annum, payable in annual instalments of $117,720 plus interest, maturing August 1, 1994	471	589
Less current portion	(118)	(118)
	353	471
Other	47	52
	$ 6,264	$ 6,702

3. Property and Equipment

(in thousands of dollars)

	Cost	Accumulated Depreciation	1990 Net	1989 Net
Land	$ 77,224	$ –	$ 77,224	$ 77,124
Dredging	366	213	153	165
Berthing structures	61,313	26,967	34,346	28,113
Buildings	49,189	11,922	37,267	32,442
Utilities	15,347	6,920	8,427	8,178
Roads and surfaces	33,884	20,502	13,382	13,745
Machinery and equipment	41,604	14,408	27,196	27,615
Office furniture and equipment	3,286	2,140	1,146	1,152
Projects under construction	3,073	–	3,073	10,749
	$ 285,286	$ 83,072	$ 202,214	$ 199,283

4. Loan from Canada

(in thousands of dollars)

	1990	1989
Interest-bearing loan at 7.5%, repayable in blended annual instalments, maturing December 31, 2000	$ 3,504	$ 3,734
Less current portion	(248)	(230)
	$ 3,256	$ 3,504

Principal repayment requirements over the next five years are as follows:

1991	1992	1993	1994	1995
$ 248,000	$ 266,000	$ 286,000	$ 308,000	$ 331,000

$ 1,439,000

5. Contingencies

a) At December 31, 1990, the Corporation had claims from municipalities for grants in lieu of taxes of approximately $9.4 million greater than the amount accrued in the financial statements.

b) There are claims against the Corporation for $9.9 million plus unspecified damages. The likelihood of these claims succeeding is not determinable.

c) Over a period of years, the Corporation has recorded revenues on certain leases which continue unresolved.

The effect, if any, of the ultimate resolution of the matters referred to in points b and c above will be accounted for as a prior period adjustment when known.

6. Related Party Transactions

In addition to the loan from Canada disclosed in note 4, the Corporation paid $1,961,000 (1989, $1,701,000) to Canada Ports Corporation as its share of that Corporation's operating expenses.

The Corporation received notice during the year from Canada Ports Corporation to make payments totalling $35.73 million as part of the Federal Government's deficit reduction program announced in the February 20, 1990 budget. Half of this amount was paid in 1990, and the remainder will be paid in early 1991.

Board of Directors

Captain Hector D. Perry
Chairman (retired December 20, 1990)
Ganges, B.C.

Patrick Reid, O.C. *
Chairman
Vancouver, B.C.

Jane Frost */***/****
Vice Chairman
Vancouver, B.C.

Laurie G. Maranda **/***/****
Vice President
Choukalos, Woodburn, McKenzie, Maranda Ltd.
Vancouver, B.C.

Richard I. Nelson */**
Vancouver, B.C.

Gary C.H. Short ****
Vancouver, B.C.

Rodney A. Snow */***
Barrister & Solicitor
Davis & Co.
Vancouver, B.C.

Colin B. Warner **
Senior Vice President
Weldwood of Canada Limited
Vancouver, B.C.

* Member, Executive Committee
** Member, Audit Committee
*** Member, Economic Development and Community Relations Committee
**** Member, Planning and Budget Committee

Officers of the Corporation

Patrick Reid, O.C.
Chairman

Norman C. Stark
Port Manager and Chief Executive Officer

Thomas A. Shortridge
Deputy Port Manager

Donald G. Buggie
Assistant Port Manager, Management Services

Robin B.L. Kimpton
Director, Legal Services and Corporate Secretary

Corporate Directory

Board of Directors

The Honourable A.R. Huntington
Chairman
Vancouver, B.C.

William Marsh
Vice-Chairman
Sydney, N.S.

Jean Michel Tessier
President and
Chief Executive Officer
Canada Ports Corporation
Ottawa, Ont.

Dr. John Balkwill
Kanata, Ont.

Robert Dowling
President, Cavell Drugs Ltd.
Jasper, Alta.

André Gingras
Chairman
Montréal Port Corporation
Montréal, Que.

Brian Keple
Cobble Hill, B.C.

Richard K. Lester
Vancouver, B.C.

A.R. "Sandy" MacLean
Mayor
Dalhousie, N.B.

C. Peter MacLean
Maligant Cove, N.S.

Arnold E. Masters
Nun's Island, Que.

Donald A. Parker
Chairman
Halifax Port Corporation
Halifax, N.S.

James B. Powers
President and General Manager
Labrador Construction Co. Ltd.
St. John's, Nfld.

Patrick Reid, O.C.
Chairman
Vancouver Port Corporation
Vancouver, B.C.

Jean Riou
Lawyer
Jolin, Fournier, Morisset
Sainte-Foy, Que.

Wallace S. Turnbull, Q.C.
Partner
Clark, Drummie & Company
Saint John, N.B.

Robert H. Vandewater
Vice President and
Sr. Account Executive
Wood Gundy Inc.
Winnipeg, Man.

Executive Committee

Chairman	The Honourable A.R. Huntington
Vice-Chairman	William Marsh
Members	André Gingras
	Arnold E. Masters
	Donald A. Parker
	Jean Michel Tessier
	Wallace S. Turnbull, Q.C.
	Robert H. Vandewater

Audit Committee

Chairman	Robert H. Vandewater
Members	Robert Dowling
	A.R. "Sandy" MacLean
	C. Peter MacLean
	James B. Powers

Corporate Planning and Budgeting Committee

Chairman	James B. Powers
Members	Robert Dowling
	Richard K. Lester
	Arnold E. Masters
	Jean Riou
	Wallace S. Turnbull, Q.C.

Police Committee

Chairman	Brian Keple
Members	Dr. John Balkwill
	D. Cassidy (Member at large)
	Robert Dowling
	The Honourable K.A. Flanigan (Member at large)
	The Honourable A.R. Huntington
	Donald A. Parker
	Jean Michel Tessier

Policy and Legislation Implementation Committee

Chairman	Wallace S. Turnbull, Q.C.
Members	Dr. John Balkwill
	André Gingras
	The Honourable A.R. Huntington
	William Marsh
	Arnold E. Masters
	Donald A. Parker
	Jean Michel Tessier

Officers of the Corporation

The Honourable A.R. Huntington
Chairman

William Marsh
Vice-Chairman

Jean Michel Tessier
President and Chief Executive Officer

Hassan J. Ansary, Ph.D.
Executive Vice President

Robert W. Tytaneck
Vice President, Finance and Administration

Warren D. McCrimmon
Vice President, Legal/Realty
Corporate Secretary

Christos Sampson
Director General, Police

Théophile Lauzon
Senior Port Manager

Mailing Addresses

Canada Ports Corporation

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c/o National Office
99 Metcalfe Street
Ottawa, Ont.
K1A 0N6
Tel.: (613) 957-6787

Ports of Chicoutimi/ Baie des Ha! Ha!
Lafontaine Street
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Chicoutimi, Que.
G7H 5E1
Tel.: (418) 543-0263

Port of Churchill
P.O. Box 217
Churchill, Man.
R0B 0E0
Tel.: (204) 675-8823

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99 Metcalfe Street
Ottawa, Ont.
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Tel.: (613) 957-6787

Port of Prescott
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99 Metcalfe Street
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Tel.: (613) 957-6787

Port of Sept-Îles
421 Arnaud Street
Sept-Îles, Que.
G4R 3B3
Tel.: (418) 968-1231

Port of Trois-Rivières
1545 du Fleuve Street
P.O. Box 999
Trois-Rivières, Que.
G9A 5K2
Tel.: (819) 378-3939

National Office
99 Metcalfe Street
Ottawa, Ont.
K1A 0N6
(613) 957-6787

Local Port Corporations

Halifax Port Corporation
Ocean Terminals
P.O. Box 336
Halifax, N.S.
B3J 2P6
Tel.: (902) 426-3643

Montréal Port Corporation
Port of Montréal Building
Cité du Havre, Wing No. 1
Montréal, Que.
H3C 3R5
Tel.: (514) 283-7042

Prince Rupert Port Corporation
110-3rd Avenue W.
Prince Rupert, B.C.
V8J 1K8
Tel.: (604) 627-7545

Port of Québec Corporation
150 Dalhousie Street
P.O. Box 2268
Québec, Que.
G1K 7P7
Tel.: (418) 648-3558

Saint John Port Corporation
133 Prince William Street
P.O. Box 6429, Stn. A
Saint John, N.B.
E2L 4R8
Tel.: (506) 648-4869

St. John's Port Corporation
3 Water Street
P.O. Box 6178
St. John's, Nfld.
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Tel.: (709) 772-4582

Vancouver Port Corporation
1900-200 Granville Street
Vancouver, B.C.
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Tel.: (604) 666-8978